

# **FINAL BUDGET AND SUPPORTING DOCUMENTATION OF MARULENG MUNICIPALITY**

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## **1.1 MAYORS REPORT**

### **PART 1 – FINAL BUDGET 2016/17**

The budget provides an amount of R1,0M for critical posts necessary to give effect to operational and revenue generating activities: This is sharply pertinent in view of the municipality's current capacity and funding challenges.

The allocation for the training and development of councillors, officials and ward committees is R1.3M.

This is an increase of 13,0% on last year's budget, and will serve to further address the need to improve current skills, acquire new skills and support capacity enhancement initiatives for the incoming council in order to enable the municipal machinery to more effectively deal with the daunting challenges of service delivery improvement to all our communities.

An amount of R3,1M is estimated to be spent on this priority area over the next two years.

Based on current year budget performance, projected spending for the current financial year is R1,1M.

#### **Investment in operating activities**

The allocation for operating activities R144,8M, 2,0% of which is dedicated to programmes with social and community bias such as sports, arts & culture support, youth empowerment, HIV/ Aids – related initiatives and traditional authorities support.

The remainder of the allocation will be applied to address the needs relating to operational efficiency and administrative support.

The comparative budget for 2016/2017 was R141,2M while an amount of R313,2M is allocated for the next two years.

#### **Indigent support services**

The budget sets aside R0,94M for indigent support in the form of free basic electricity.

The comparative allocation for the prior year is R0,90M; and to further reduce the basic services backlog, households earning incomes below the poverty line will benefit R2,1M from the allocations for the two outer years.

Based on current year budget performance the budget for the current financial year will be fully utilised.

#### **ICT infrastructure upgrade**

The budget allocation is R1,8M.

This will address ICT related needs in line with the municipal ICT Master Plan (which includes upgrading, new acquisitions, replacements and enhancements as well as maintenance), as well as the operationalization of the traffic management system in the new Traffic offices.

The comparative figure for the prior year is R1,7M, while projected spending over the next two years is R3,9M.

The current year ICT budget is projected to be fully spent by 30 June 2016.

### **Capital investment**

The amount allocated for infrastructure maintenance is R2,3M.

The budget will cater for maintenance of water, sanitation and road infrastructure in the CBD and township, excluding upgrade work which will be undertaken through capital programmes.

The prior year comparative figure is R2,1M while, on the other extreme, an amount of R5,0M will be injected into this priority area over the next two years.

An amount of R75,7M will be invested in capital projects and is allocated as follows:

LED Projects (R1,3M)

Roads, pavements & stormwater (R31,0M)

Community facilities (R40,4M)

The remainder of the capital budget will channelled to other assets such as land for development, vehicles, plant and machinery as well as office furniture and equipment.

Capital investment will be increased by R19,2M over the medium term period.

The current spending trend on projects, weighted by interventions already being applied to accelerate project implementation progress, projects a budget spending of more than 90%. Projects likely to be affected by under-spending are own funded projects of the category referred to as “other assets” above.

### **Revenue –modelling 2016/2017**

The income of R192,339M (*excluding projected non-cash movement*) which underpins our budget is based on sound revenue models and projections.

A municipal tariff structure for the range of services provided by the municipality has been put in place to ensure that the municipality achieves its target of R43,3M (**billed and collected**) own revenue.

The 2016/2017 tariff structure applies property rates in line with nationally gazetted levy rates.

All positively identified and confirmed revenue sources, including intergovernmental transfers, have been taken into account in arriving at the revenue estimates that constitute this budget funding envelope.

### **Conclusion,**

With these allocations we aim to bring tangible changes to the lives of our people.

The State President, through the SONA, has drawn the line of march which we need to toe; and this budget is adding money to it.

Our cherished objectives are reducing poverty, creating jobs and creating a better life for all.

I am mindful that debilitating and grinding poverty still afflicts and chains the majority of our rural population.

I am mindful that serious service backlogs and lack of adequate infrastructure network are still issues to be addressed aggressively throughout our municipality.

The outgoing council has made a dent on the issues, but much remains to be done to create and lasting and sustainable legacy for generations to come.

After contemplation, I conclude that the advances as well as the setbacks of the dying financial year and council term cannot be the motivation for us to want to slacken and weaken our pace: Much is at stake and much is still to be done.

I am convinced that true democracy and under-development are antithetical concepts - they cannot co-exist, not among our people.

In this spirit, I therefore challenge us to make it the privilege and burden of all of us who consider ourselves bound to this municipality with loyalties and allegiances which are broader and deeper than our individualism and self-interests to support our service delivery and budget implementation processes.

Having regard to the foregoing facts, I would like to direct attention to the annual budget of the municipality, structured as follows—

A total funding envelope of R192,3M for the first budget year, to be channelled to spending as follows—

Capital spending budget of R81,7M.

Operational costs budget of R110,6M.

Further, note should be taken that special focus and general programmes for an amount of R2,3M are included in the operating budget.

## 1.2 COUNCIL RESOLUTIONS

On 24 May 2016 the Council of Maruleng Local Municipality met in the Council Chamber to adopt the final annual budget of the municipality for the financial year 2016/17, council resolution number MM06/05/2016. The Council considered the inputs from public consultations and the following resolutions were taken:

1. The Council of Maruleng Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and consider:
  - 1.1. The final annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 25;
    - 1.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 26;
    - 1.1.3 Budgeted Financial Performance (revenue by source and expenditure by type as contained in Table 13 on page 26; and
    - 1.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 26 of Maruleng Municipality 2016/17 final budget and MTREF
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, assets management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 15 on page 27;
    - 1.2.2. Budgeted Cash Flows as contained in Table 16 on page 27
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 28;
    - 1.2.4. Asset management as contained in Table 18 on page 28; and
    - 1.2.5. Basic service delivery measurement as contained in Table 19 on page 29 of Maruleng Municipality 2016/17 final budget and MTREF
2. The Council of Maruleng Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) noted and adopts with effect from 1 July 2016:
  - 2.1. The tariffs for property rates – as set out in Annexure A,
  - 2.2. The tariffs for solid waste services – as set out in Annexure A
3. The Council of Maruleng Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopted with effect from 1 July 2016 the tariffs for other services, as set out in Annexure A .
4. To give proper effect to the municipality's final annual budget, the Council of Maruleng Municipality noted:
  - 4.1 That cash backing is implemented through the utilization of a portion of the revenue generated from property rates to ensure that all capital reserves and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations



### 1.3. EXECUTIVE SUMMARY

The application of sound financial planning and financial management principles are very critical in achieving the Municipality's financial objectives

The following are the challenges experienced during the compilation of the 2016/2017 MTREF

- The ongoing difficulties in the national and local economy
- Ageing and poorly maintained water and roads infrastructure
- The need to reprioritise projects and expenditure within the existing limited resources taking into account the current cash flow limitations
- Wage increases for municipal staff and the need to fill critical vacancies

The following budget principles and guidelines directly informed the compilation of the 2016/2017 MTREF:

- The 2015/16 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments were adopted as the upper limits for the new baselines for the 2016/2017 final budget.
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2016/2017 MTREF

**Table 1 Consolidated Overview of the 2016/17 MTREF**

| Description<br>R thousand                                     | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| Total Revenue (excluding capital transfers and contributions) | 84 965          | 91 439          | 120 287         | 131 965              | 148 404         | 148 404            | 144 318   | 149 149                | 157 593                |
| Total Expenditure   | 111 732         | 109 114         | 143 295         | 137 671              | 141 150         | 141 150            | 148 303   | 155 562                | 165 293                |
| Transfers recognised - capital                                | 27 421          | 27 869          | 34 830          | 35 684               | 31 811          | 31 811             | 47 918  | 27 377                 | 28 763                 |
| Surplus/(Deficit) for the year                                | 654             | 10 195          | 11 822          | 29 978               | 39 065          | 39 065             | 43 933  | 20 964                 | 21 063                 |

- Total operating revenue has been decreased by 2,7 per cent or R4 million for the 2016/17 financial year when compared to the 2015/16 adjusted figure.
- The equitable share allocation and EPWP grants for the current budget year in comparison with the previous financial year. Furthermore, the municipality has no allocation from the INEP and MSIG for the financial year 2016/17. These changes in allocations have the overall impact of decreasing the funding of the budget for the 2016/17 MTREF period. Projected operating revenue for the two outer years increased by

4.8 percent and 5.6 percent respectively. The budgeted total operating expenditure for the financial year 2016/17 is R148,3 million, resulting in operating surplus of 43.9 million. Operating expenditure for the respective outer years of the MTREF period has grown to 155,6 million and 165,5 million. Operating surplus for the same periods decreased to R20,9 million and R21 million respectively.

- The municipality is slightly below break-even point after taking in to consideration non-cash items (depreciation and bad debts). However, after discounting the non-cash movement a surplus is realised, which counts for a contribution towards the funding of capital expenditure and further improves the cash backing of reserves.

## 1.4. OPERATING REVENUE FRAMEWORK

For Maruleng municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that the municipality is faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development
- Efficient revenue management, which aims to ensure a 90 percent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); and
- The municipality's Indigent Policy and rendering of free basic services.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source)

**Table 2 Summary of revenue classified by main revenue source**

| Description  | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Revenue By Source</b>   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Property rates   | 11 306          | 12 594          | 29 369          | 18 922               | 29 367          | 29 367             | 31 587  | 33 546                 | 35 525                 |
| Service charges - refuse revenue                                     | 2 548           | 2 564           | 3 179           | 2 176                | 2 300           | 2 300              | 2 695   | 2 862                  | 3 031                  |
| Rental of facilities and equipment                                   | 256             | 269             | 325             | 291                  | 294             | 294                | 313   | 332                    | 352                    |
| Interest earned - external investments                               | 1 054           | 1 610           | 2 882           | 2 942                | 3 942           | 3 942              | 4 485   | 4 763                  | 5 044                  |
| Interest earned - outstanding debtors                                | 193             | 206             |                 | 653                  | 653             | 653                | 328   | 348                    | 369                    |
| Fines  | 234             | 221             | 771             | 308                  | 308             | 308                | 316   | 336                    | 355                    |
| Licences and permits   | 2 657           | 2 328           | 2 866           | 2 854                | 2 854           | 2 854              | 3 034   | 3 223                  | 3 413                  |
| Agency services  | 1 086           | 1 952           | 1 387           | 1 547                | 2 800           | 2 800              | 2 197   | 2 333                  | 2 470                  |
| Transfers recognised - operational                                   | 64 242          | 68 062          | 76 724          | 95 171               | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| Other revenue  | 1 389           | 1 631           | 2 783           | 5 026                | 1 285           | 1 285              | 1 509   | 1 603                  | 1 698                  |
| Gains on disposal of PPE   |                 |                 |                 | 2 075                |                 |                    | 3 700   |                        |                        |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>84 965</b>   | <b>91 439</b>   | <b>120 287</b>  | <b>131 965</b>       | <b>148 404</b>  | <b>148 404</b>     | <b>144 318</b>                                      | <b>149 149</b>         | <b>157 593</b>         |

**Table 3 Percentage growth in revenue by main revenue source**

| Description<br>R thousand  | 2016/17 Medium Term Revenue & Expenditure Framework |             |                           |             |                           |             |
|--|---|-------------|---------------------------|-------------|---------------------------|-------------|
|  | Budget Year<br>2016/17                              | %           | Budget Year<br>+1 2017/18 | %           | Budget Year +2<br>2018/19 | %           |
| <b>Revenue By Source</b>   |   |             |                           |             |                           |             |
| Property rates   | 31 587  | 22%         | 33 546                    | 22%         | 35 525                    | 23%         |
| Service charges - refuse revenue                                     | 2 695   | 2%          | 2 862                     | 2%          | 3 031                     | 2%          |
| Rental of facilities and equipment                                   | 313   | 0%          | 332                       | 0%          | 352                       | 0%          |
| Interest earned - external investments                               | 4 485   | 3%          | 4 763                     | 3%          | 5 044                     | 3%          |
| Interest earned - outstanding debtors                                | 328   | 0%          | 348                       | 0%          | 369                       | 0%          |
| Fines  | 316   | 0%          | 336                       | 0%          | 355                       | 0%          |
| Licences and permits   | 3 034   | 2%          | 3 223                     | 2%          | 3 413                     | 2%          |
| Agency services  | 2 197   | 2%          | 2 333                     | 2%          | 2 470                     | 2%          |
| Transfers recognised - operational                                   | 94 154  | 65%         | 99 804                    | 67%         | 105 337                   | 67%         |
| Other revenue  | 1 509   | 1%          | 1 603                     | 1%          | 1 698                     | 1%          |
| Gains on disposal of PPE   | 3 700   | 3%          |                           | 0%          |                           | 0%          |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>144 318</b>                                      | <b>100%</b> | <b>149 149</b>            | <b>100%</b> | <b>157 593</b>            | <b>100%</b> |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges constitutes, for 2016/17, only 24 percentage of the funding envelope, indicating that the municipality is mainly dependent on grants.

In the financial year 2016/17, revenue from rates and services charges is R34,2 million or 24 per cent when of the total revenue. The services increase to R36.4 million and R38.6 million in the respective of outer years of the MTREF period. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Apart from transfers recognised – operational, which is about 65 percentage of the total revenue mix, property rates is the largest own revenue source in 2016/17 financial period. The second largest own source is interests on investment which is 3 percent of the total revenue. The other revenue consists of various items such as town planning fees, building plan fees, clearance certificates, rental sign boards, tender documents, etc. contained 1 percent of the total revenue. Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R94.1 million in the 2016/17 financial year and steadily increases to R99.8 million and 105, 3 million for the two outer years. Note that the year-on-year growth for the 2016/17 and 2018/19 financial year are 67 per cent. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

| Description                                     | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand                                      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>RECEIPTS:</b>                                |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <u>Operating Transfers and Grants</u>           |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:                            | 64 159          | 68 042          | 77 054          | 104 045              | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| Local Government Equitable Share                | 53 513          | 60 742          | 71 904          | 92 441               | 92 441          | 92 441             | 91 329  | 97 904                 | 103 437                |
| Finance Management                              | 1 585           | 1 671           | 1 800           | 1 800                | 1 800           | 1 800              | 1 825   | 1 900                  | 1 900                  |
| Municipal Systems Improvement                   | 1 071           | 664             | 934             | 930                  | 930             | 930                |   |                        |                        |
| Integrated National Electrification Programme   | 1 895           | 3 105           |                 | 7 000                | 7 000           | 7 000              |   |                        |                        |
| EPWP Incentive                                  | 1 366           | 1 323           | 1 316           | 1 038                | 1 038           | 1 038              | 1 000   |                        |                        |
| Other transfers/grants [insert description]     | 4 728           | 536             | 1 100           | 836                  | 1 391           | 1 391              |   |                        |                        |
| District Municipality:                          | 83              | 21              | –               | –                    | –               | –                  | –   | –                      | –                      |
| <i>mopani</i>                                   | 83              | 21              |                 |                      |                 |                    |   |                        |                        |
| <b>Total Operating Transfers and Grants</b>     | <b>64 242</b>   | <b>68 062</b>   | <b>77 054</b>   | <b>104 045</b>       | <b>104 600</b>  | <b>104 600</b>     | <b>94 154</b>                                       | <b>99 804</b>          | <b>105 337</b>         |
| <u>Capital Transfers and Grants</u>             |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:                            | 27 421          | 27 869          | 25 309          | 25 830               | 30 311          | 30 311             | 25 419  | 27 377                 | 28 763                 |
| Municipal Infrastructure Grant (MIG)            | 27 421          | 27 869          | 25 309          | 25 830               | 31 811          | 31 811             | 29 419  | 27 377                 | 28 763                 |
| <b>Total Capital Transfers and Grants</b>       | <b>27 421</b>   | <b>27 869</b>   | <b>25 309</b>   | <b>25 830</b>        | <b>31 311</b>   | <b>31 311</b>      | <b>25 419</b>                                       | <b>27 377</b>          | <b>28 763</b>          |
| <b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b> | <b>91 662</b>   | <b>95 932</b>   | <b>102 363</b>  | <b>129 875</b>       | <b>136 411</b>  | <b>136 411</b>     | <b>123 573</b>                                      | <b>127 181</b>         | <b>134 100</b>         |

Tariff-setting is a fundamental and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

The municipality has made changes to the tariff structure and revenue forgone based on the circular 79 of the MFMA. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Maruleng Municipality has justified the budget in an excess of the 6.6 per cent.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of Maruleng Municipality are informed by items such as the cost of employee related costs, contracted services, materials etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

#### 1.4.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 73:1 the implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15,000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further 45% of the reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 65 per cent rebate will be granted on residential properties (including state owned residential properties but excluding sectional title scheme and residential properties in non-private estate);
- 100 per cent rebate will be granted to residential properties in rural, informal settlement and registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organisations, institutions or organisations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.
- The municipality does not have special rating; one levying rate is applied for all categories. The current levying rate is 0.0114 for 2016/2017

### 1.4.2. Sale of Water and Impact of Tariff Increases

The municipality faces similar challenges with regard to water supply as the rest of South Africa, which is that demand growth outstrips supply. Consequently, the municipality has, in consultation with Mopani District Municipality which is the water authority, carefully reviewed the level and structure of the water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Maruleng Municipality is not a water authority in terms of the Act but rendering the service on behalf of the District. The Municipality receives bulk water from the Department of Public Works.

A tariff increase of 6,6 per cent from 1 July 2016 for water is proposed. This is based on the increase in the cost of other inputs.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 5 Proposed Water Tariffs**

| CATEGORY                      | CURRENT<br>TARRIFF<br>2015/16 | PROPOSED<br>TARRIFF<br>2016/17 |
|-------------------------------|-------------------------------|--------------------------------|
|                               | Rand per kl                   | Rand per kl                    |
| <b>RESIDENTIAL</b>            |                               |                                |
| Water basic per household p/m | 6.70                          | 7.20                           |
| Water consumption p/kl        | 5.00                          | 5.40                           |
|                               |                               |                                |
| <b>Business</b>               |                               |                                |
| Water basic per household p/m | 11.30                         | 12.10                          |
| Water consumption p/kl        | 11.00                         | 11.80                          |

### 1.4.3. Sanitation and Impact of Tariff Increases

A tariff increase of 6,6 per cent for sanitation from 1 July 2016 is proposed. This is based on the input cost assumptions related to water

**Table 6 Comparison between current and proposed sanitation charges**

| CATEGORY                  | CURRENT<br>TARRIFF<br>2015/16 | PROPOSED TARRIFF 2016/17 |
|---------------------------|-------------------------------|--------------------------|
|                           | Rand per kl                   | Rand per kl              |
| <b>RESIDENTIAL</b>        |                               |                          |
| Sewerage per dwelling p/m | 56.20                         | 59.90                    |
|                           |                               |                          |

|                           |       |       |
|---------------------------|-------|-------|
| <b>NON RESIDENTIAL</b>    |       |       |
| Sewerage per dwelling p/m | 53.00 | 56.50 |

#### 1.4.4. Waste Removal and Impact of Tariff Increases

The Municipality has a contract for waste removal for businesses and also have employees who collect refuse for residential areas.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The Municipality's landfill site is situated 55 km outside the collection areas. The 6.6 per cent increase in the waste removal tariff is proposed from 1 July 2016. Higher increases would not be viable in 2016/17 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2016

**Table 7 Comparison between current and proposed waste removal fees**

|  | CURRENT<br>2015/16 | TARIFFS       | PROPOSED<br>2016/17 | TARIFFS       |
|--|--------------------|---------------|---------------------|---------------|
|  |                    |               |                     |               |
|  |                    | WASTE REMOVAL |                     | WASTE REMOVAL |
| Tariff per container per month or part of a month: | Per month (R)      |               | Per month (R)       |               |
|  |                    |               |                     |               |
| <b>Cages per pick-up</b>                           |                    |               |                     |               |
| Half containers                                    | 247.50             |               | 263.90              |               |
| Large  | 300                |               | 319.80              |               |
|  |                    |               |                     |               |
| <b>PUBLIC WORKS</b>                                |                    |               |                     |               |
| Domestics  | 77.90              |               | 83.10               |               |
| Messes & Base                                      | 515.00             |               | 550.00              |               |
|  |                    |               |                     |               |
| <b>RESIDENTIAL</b>                                 |                    |               |                     |               |
| Refuse collection per unit                         | 48.20              |               | 51.40               |               |
| Refuse coupons per bakkie                          | 150.00             |               | 160.00              |               |
| Garden refuse and rubles - Full load               | 450.00             |               | 479.80              |               |



## TARRIF STRUCTURE 2016/17

Maruleng Local Municipality has increased charges payable for services by 6.6% in line the Municipal Budget Circular no 79 for the 2016/2017 Medium Term Revenue and Expenditure Framework(MTREF) with effect from *1 July 2016*.

### 1. APPLICABLE FEES TO REVENUE ON SERVICES AND RATES

| 2016 FY<br><u>2015/16 Tariffs</u> | 2017 FY<br><u>2016/17 Tariffs</u> | 2018 FY<br><u>2017/18 Tariffs</u> | 2019 FY<br><u>2018/19Tariff</u> |
|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| 5.4%                              | 6.6%                              | 6.2%                              | 5.9%                            |

#### a) SERVICES RESIDENTIAL

|   |        |        |        |        |
|---|--------|--------|--------|--------|
|   |        |        |        |        |
| Water Basic   | 6.70   | 7.20   | 7.60   | 8.20   |
| Water Cons P/KL   | 5.00   | 5.40   | 5.80   | 6.20   |
| Sewerage  | 56.20  | 59.90  | 60.10  | 63.70  |
| Refuse  | 48.20  | 51.40  | 54.60  | 57.90  |
| Refuse Coupons per bakkie load                              | 150.00 | 170.00 | 160.00 | 180.10 |
| Sundry removal Full Load(Garden Refuse)                     | 450.00 | 479.80 | 509.60 | 539.70 |
| <b>Refuse Collection for<br/>Department of Public Works</b> |        |        |        |        |
| Refuse collection Domestics                                 | 77.90  | 83.10  | 88.30  | 88.30  |
| Refuse removal Messes & Base                                | 515.00 | 550.00 | 584.10 | 618.60 |

#### b) SERVICES BUSINESS

|                          |       |       |        |        |
|--------------------------|-------|-------|--------|--------|
| Water Basic              | 11.30 | 12.10 | 12.90  | 13.70  |
| Water Cons P/KL          | 11.00 | 11.80 | 12.60  | 13.40  |
| Sewerage                 | 58.10 | 62.00 | 65.90  | 69.80  |
| Refuse Collection P/unit | 53.00 | 56.50 | 60.00  | 63.60  |
| Section Title (SS)       | 91.86 | 98.00 | 104.10 | 110.30 |
|                          |       |       |        |        |

#### Refuse Collection Cages per Pick-Up

|                           |        |        |        |        |
|---------------------------|--------|--------|--------|--------|
|                           |        |        |        |        |
| Small                     | 220.00 | 235.00 | 249.60 | 264.40 |
| Medium                    | 260.00 | 277.20 | 294.40 | 311.80 |
| Half Containers<br>(Gage) | 247.50 | 263.90 | 280.30 | 296.90 |
| Large                     | 300.00 | 319.80 | 339.70 | 359.80 |

### **CONTAINERS**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
|  |        |        |        |        |
| Refuse collection Bin per week (Rate per Collection) | 495.50 | 528.50 | 561.30 | 594.50 |

- **APPLICATION FOR CLEARANCE CERTIFICATES**

|                             |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|
|                             |        |        |        |        |
| Residential Certificate Fee | 135.00 | 150.00 | 159.30 | 168.70 |
| Farms Certificate Fee       | 330.00 | 360.00 | 382.40 | 405.00 |

(Clearance Costing is subjected to 5 months Prop rata Calculations)

- **RENTALS**

#### **SUBJECTED TO 10 % INCREASE**

|   |         |         |         |         |
|---|---------|---------|---------|---------|
|   |         |         |         |         |
| Community Hall (Deposit of R650 is payable)   | 550.00  | 590.00  | 650.00  | 690.00  |
| Community Hall for Church   | 300.00  | 330.00  | 350.00  | 360.00  |
| Weddings (Deposit of R650 is payable)   | 1230.00 | 1400.00 | 1540.00 | 1550.00 |
| Hiring of Council Chamber(Per Day) Deposit R650.00  | 420.00  | 430.00  | 440.00  | 450.00  |
| Other Activities (IEC, GOV DEPT) Per day R330.00 Dep is payable                                       | 610.00  | 675.00  | 750.00  | 760.00  |
| Rental of Offices Space (P/sqm) Deposit as prescribed in the SLA is payable Offices at Thusong Center | 120.00  | 135.00  | 150.00  | 160.00  |

**Subjected to lease agreements signed**

- **STADIUM**

|                                      |         |
|--------------------------------------|---------|
| <b>Festivals</b>                     |         |
| Hiring Per Day                       | 1400.00 |
| Deposit                              | 1070.00 |
| <b>Religious, Cultural and NGO</b>   |         |
|                                      |         |
| Hiring Per Day                       | 600.00  |
| Deposit                              | 650.00  |
|                                      |         |
| <b><u>Schools Events (Games)</u></b> |         |
| Hiring Per Day                       | 900.00  |
| Deposit                              | 650.00  |

e) **WATER CONNECTIONS**

|        |                |         |         |         |         |
|--------|----------------|---------|---------|---------|---------|
|        |                |         |         |         |         |
| 20 Mm  | Deposit        | 540.00  | 580.00  | 620.00  | 660.00  |
|        | Connection Fee | 1110.00 | 1200.00 | 1280.00 | 1360.00 |
| 50 Mm  | Deposit        | 755.00  | 810.00  | 850.00  | 870.00  |
|        | Connection fee | 2860.00 | 3050.00 | 3070.00 | 3090.00 |
| 100 Mm | Deposit        | 1060.00 | 1190.00 | 1210.00 | 1130.00 |
|        | Connection fee | 7770.00 | 8290.00 | 8320.00 | 8350.00 |

f) **PROPERTY RATES**

- Refer to Rates Policy for Different Ratio on Property Descriptions
- Properties are billed on Land Use not Zoning

g) **LIBRARY FEES**

|                                    |  |       |       |       |
|------------------------------------|--|-------|-------|-------|
|                                    |  |       |       |       |
| New Registration per Year          | 50.00                                  | 60.00 | 70.00 | 80.00 |
| Pensioners                         | 40.00                                  | 50.00 | 60.00 | 70.00 |
| Late Submitting (Per book per day) | 2.00                                   | 10.00 | 20.00 | 30.00 |
| Loss of Book                       | <b>Depend on a price for lost book</b> |       |       |       |

h) **TRAFFICE FINES**

Will be subjected to Criminal Procedure Act and Magistrate Tariffs

**OTHER FEES/PENALTIES**

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Water reconnection fee<br>(Part 4 of the Debt collection policy)      | 700.00  | 800.00  | 900.00  | 1000.00 |
| Illegal Connections<br>(Part 6 of the Debt collection policy)         | 4000.00 | 4500.00 | 5000.00 | 5500.00 |
| Dishonoured cheques (RD)  | 120.00  | 130.00  | 140.00  | 150.00  |
| Notice of defaulters per letter                                       | 65.00   | 75.00   | 100.00  | 120.00  |
| Duplicate statement fee<br>(Fee will be debited on consumers account) | 65.00   | 80.00   | 90.00   | 100.00  |
| Penalty for wrong information for payment                             | 20.00   | 30.00   | 40.00   | 50.00   |

(When people use incorrect reference when paying – tracing fee with bank – will be debited back to the consumer's account)

**INDIGENT HOUSEHOLDS**

Registered Indigents household qualifies for the following:

- ✓ 6 kl free water per month
- ✓ 50% discount on services
- ✓ 100 % rebate on property rates

## 1.5. OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no budget no spending.
- The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

**Table 8: Summary of operating expenditure by standard classification item**

| Description                     | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand                      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Expenditure By Type</b>      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Employee related costs          | 33 544          | 30 705          | 38 899          | 47 479               | 49 019          | 49 019             | 50 489  | 54 300                 | 58 046                 |
| Remuneration of councillors     | 7 359           | 7 665           | 7 805           | 10 866               | 9 542           | 9 542              | 9 832   | 10 115                 | 10 722                 |
| Debt impairment                 | 3 032           | 2 827           | 31 021          | 3 700                | 3 700           | 3 700              | 4 550   | 4 832                  | 5 117                  |
| Depreciation & asset impairment | 24 060          | 28 284          | 28 846          | 33 000               | 29 000          | 29 000             | 33 080  | 35 131                 | 37 204                 |
| Finance charges                 | 65              | 86              | 8               | 228                  | 70              | 70                 | 74  | 79                     | 84                     |
| Bulk purchases                  | 605             | 813             | 564             | –                    | 900             | 900                | 940   | 998                    | 1 057                  |
| Other materials                 | 1 271           | 1 297           | 1 703           | 2 762                | 2 147           | 2 147              | 3 374   | 3 584                  | 3 795                  |
| Contracted services             | 5 222           | 5 614           | 6 819           | 7 238                | 7 538           | 7 538              | 8 244   | 8 755                  | 9 272                  |
| Transfers and grants            | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Other expenditure               | 19 990          | 20 790          | 26 652          | 32 397               | 39 232          | 39 232             | 37 391  | 37 419                 | 39 626                 |
| Loss on disposal of PPE         | 16 583          | 11 033          | 976             |                      |                 |                    | 328   | 349                    | 369                    |
| <b>Total Expenditure</b>        | <b>111 732</b>  | <b>109 114</b>  | <b>143 295</b>  | <b>137 671</b>       | <b>141 150</b>  | <b>141 150</b>     | <b>148 303</b>                                      | <b>155 562</b>         | <b>165 293</b>         |

The budgeted allocation for employee related costs for the 2016/17 financial year totals R50.4 million, which equals 35 per cent of the total operating expenditure. The CPI for 2016/17 which is 6.6 has been taken in to consideration; the municipality has provided an increase of salaries and wages for 2016/17. The South African Local Government Bargaining Council recently entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year – 7 per cent • 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent • 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

The municipality has taken into consideration for vacant and critical positions and therefore made a provision for them. The budget has been made provision for critical positions like Director (Corporate services) and other vacant positions.

A preliminary amount of R50.4 million for employee related costs has been included in the 2016/17 MTREF.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate and the Debt Write-off Policy of the Municipality. For the 2016/17 financial year this amount equates to R4.5 million and escalates to R5.1 million by 2018/19. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

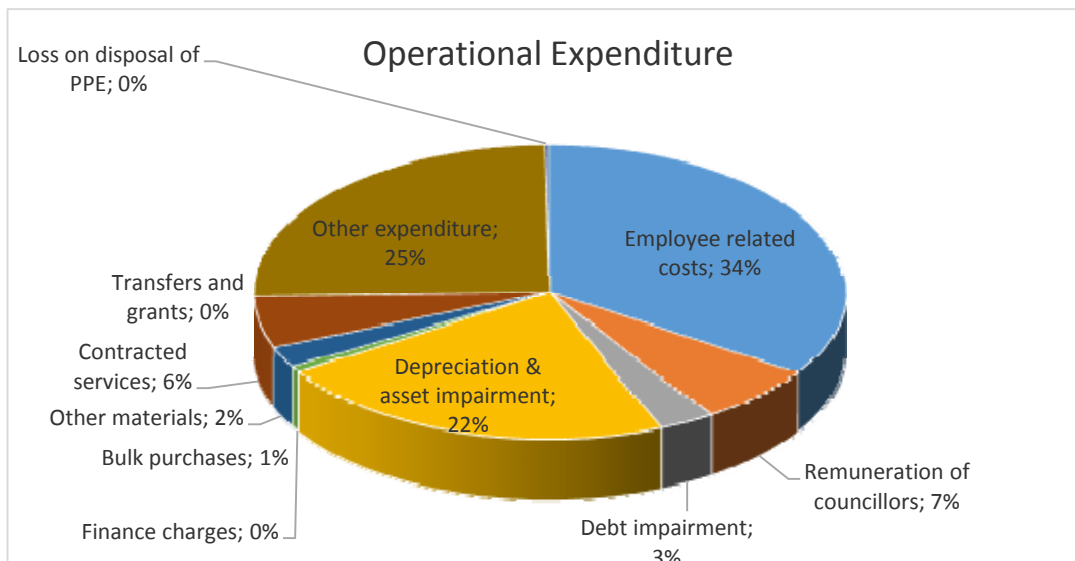
Bulk purchases are directly informed by free basic electricity. The indigents register has been updated and the price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

Other material comprises of amongst others the materials for maintenance, cleaning materials and printing and stationery. For 2016/17 the appropriation for this group of expenditure totals R 3.3 million and equals 2.3 per cent of the total operating expenditure. Repairs and maintenance is mostly done in house. The budget for repairs and maintenance is therefore used for the purchasing of materials.

Contracted services are enlisted to render the services that the municipality has no capacity to provide. In the 2016/17 financial year budget for contracted services is R8.2 million, which relates to the rendering of refuse removal and security services. This group of expenditure has escalated by 8,7 percent to R9.2 million for the two outer years, i.e. 2017/18 and 2018/19. This major increase is due to an increase in the number of points where security services are needed and the distance between the landfill site and the municipal collection points.

Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The total other expenditure for 2016/17 is R37,3 million and escalade to 37,4 percent to R39.6 million for the two outer years.

**Table 9** the following table gives a breakdown of the main expenditure categories for the 2016/17 financial year.



## 1.6. CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 09: 2016/17 Medium-term capital budget per vote**

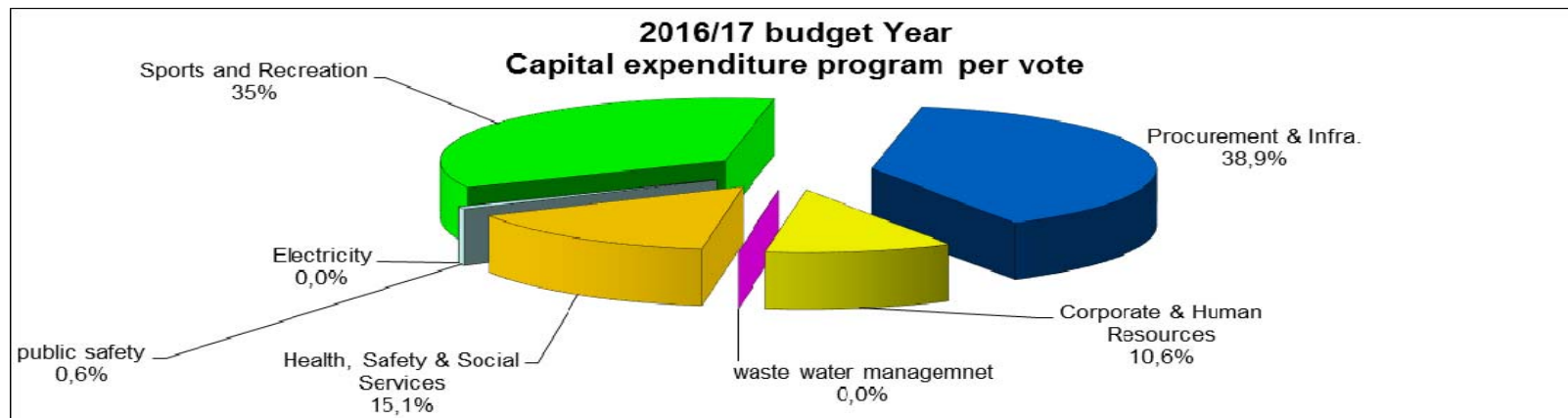
| Vote Description                                  | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand  | 1   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <u>Capital expenditure - Vote</u>                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <u>Multi-year expenditure to be appropriated</u>  | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive and Council                    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Budget and treasury                      |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                       |     | 3 765           | 2 277           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 4 - Planning and Development                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 5 - Community and Social Services            |     | -               | 312             | 5 257           | -                    | 10 919          | 10 919             | -                 | 10 707  | -                      | -                      |
| Vote 6 - Sports and Recreation                    |     | 2 447           | 7 606           | 4 575           | -                    | 15 028          | 15 028             | -                 | 28 449  | 20 891                 | 5 563                  |
| Vote 7 - Waste Management                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - Waste water Management                   |     | 9 042           | 3 056           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - Roads and Transport                      |     | 15 819          | 4 880           | 24 235          | -                    | 39 554          | 39 554             | -                 | 31 744  | 32 986                 | 37 500                 |
| Vote 10 - Water                                   |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - Public Safety                           |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - Electricity Distribution                |     | 1 663           | 2 555           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Capital multi-year expenditure sub-total          | 7   | 32 735          | 20 685          | 34 068          | -                    | 65 501          | 65 501             | -                 | 70 900  | 53 877                 | 43 063                 |
| <u>Single-year expenditure to be appropriated</u> | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive and Council                    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Budget and treasury                      |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                       |     | 1 442           | 1 401           | 5 811           | 10 390               | 9 240           | 9 240              | -                 | 8 666   | 5 285                  | 4 979                  |
| Vote 4 - Planning and Development                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 5 - Community and Social Services            |     | 508             | 536             | 242             | 5 690                | 2 100           | 2 100              | -                 | 1 600   | 1 000                  | 1 000                  |
| Vote 6 - Sports and Recreation                    |     | -               | -               | -               | 11 500               | -               | -                  | -                 | -   | -                      | -                      |
| Vote 7 - Waste Management                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |



|  |   |        |        |        |        |        |        |   |        |        |        |
|--|---|--------|--------|--------|--------|--------|--------|---|--------|--------|--------|
| Vote 8 - Waste water Management            |   | -      | -      | -      | -      | -      | -      | - | -      | -      | -      |
| Vote 9 - Roads and Transport               |   | -      | -      | -      | 30 097 | -      | -      | - | -      | -      | -      |
| Vote 10 - Water                            |   | -      | -      | -      | -      | -      | -      | - | -      | -      | -      |
| Vote 11 - Public Safety                    |   | -      | -      | -      | 185    | 185    | 185    | - | 500    | -      | -      |
| Vote 12 - Electricity Distribution         |   | -      | -      | -      | 7 000  | 7 000  | 7 000  | - | -      | -      | -      |
| Capital single-year expenditure sub-total  |   | 1 950  | 1 937  | 6 053  | 64 862 | 18 525 | 18 525 | - | 10 766 | 6 285  | 5 979  |
| Total Capital Expenditure - Vote           |   | 34 685 | 22 622 | 40 121 | 64 862 | 84 026 | 84 026 | - | 81 666 | 60 162 | 49 042 |
| <b>Capital Expenditure - Standard</b>      |   |        |        |        |        |        |        |   |        |        |        |
| <i>Governance and administration</i>       |   | 5 207  | 3 678  | 5 811  | 10 390 | 9 240  | 9 240  | - | 8 666  | 5 285  | 4 979  |
| Executive and council                      |   |        |        |        |        | -      | -      |   |        |        |        |
| Budget and treasury office                 |   |        |        |        |        | -      | -      |   |        |        |        |
| Corporate services                         |   | 5 207  | 3 678  | 5 811  | 10 390 | 9 240  | 9 240  |   | 8 666  | 5 285  | 4 979  |
| <i>Community and public safety</i>         |   | 2 955  | 8 453  | 10 075 | 17 375 | 28 232 | 28 232 | - | 41 256 | 21 891 | 6 563  |
| Community and social services              |   | 508    | 847    | 5 500  | 5 690  | 13 019 | 13 019 |   | 12 307 | 1 000  | 1 000  |
| Sport and recreation                       |   | 2 447  | 7 606  | 4 575  | 11 500 | 15 028 | 15 028 |   | 28 449 | 20 891 | 5 563  |
| Public safety                              |   |        |        |        | 185    | 185    | 185    |   | 500    |        |        |
| Housing                                    |   |        |        |        |        | -      | -      |   |        |        |        |
| Health                                     |   |        |        |        |        | -      | -      |   |        |        |        |
| <i>Economic and environmental services</i> |   | 15 819 | 4 880  | 24 235 | 30 097 | 38 054 | 38 054 | - | 31 744 | 32 986 | 37 500 |
| Planning and development                   |   |        |        |        |        |        |        |   |        |        |        |
| Road transport                             |   | 15 819 | 4 880  | 24 235 | 30 097 | 39 554 | 39 554 |   | 31 744 | 32 986 | 37 500 |
| Environmental protection                   |   |        |        |        |        |        |        |   |        |        |        |
| <i>Trading services</i>                    |   | 10 704 | 5 611  | -      | 7 000  | 7 000  | 7 000  | - | -      | -      | -      |
| Electricity                                |   | 1 663  | 2 555  |        | 7 000  | 7 000  | 7 000  |   |        |        |        |
| Water                                      |   |        |        |        |        |        |        |   |        |        |        |
| Waste water management                     |   | 9 042  | 3 056  |        |        |        |        |   |        |        |        |
| Waste management                           |   |        |        |        |        |        |        |   |        |        |        |
| <i>Other</i>                               |   |        |        |        |        |        |        |   |        |        |        |
| Total Capital Expenditure - Standard       | 3 | 34 685 | 22 622 | 40 121 | 64 862 | 84 026 | 84 026 | - | 81 666 | 60 162 | 49 042 |
| <b>Funded by:</b>                          |   |        |        |        |        |        |        |   |        |        |        |
| National Government                        |   | 27 885 | 16 418 | 34 830 | 60 840 | 38 811 | 38 811 |   | 47 918 | 27 377 | 28 763 |
| Provincial Government                      |   |        |        |        |        |        |        |   |        |        |        |
| District Municipality                      |   |        |        |        |        |        |        |   |        |        |        |
| Other transfers and grants                 |   |        |        |        | 4 022  |        |        |   |        |        |        |
| Transfers recognised - capital             | 4 | 27 885 | 16 418 | 34 830 | 64 862 | 38 811 | 38 811 | - | 47 918 | 27 377 | 28 763 |
| Internally generated funds                 |   | 6 800  | 6 204  | 5 291  |        | 45 215 | 45 215 |   | 33 748 | 32 785 | 20 279 |
| Total Capital Funding                      | 7 | 34 685 | 22 622 | 40 121 | 64 862 | 84 026 | 84 026 | - | 81 666 | 60 162 | 49 042 |

For 2016/17 an amount of R31.7million has been appropriated for the development of Roads Transport which represents 38.9 per cent of the total capital budget. In the outer years this amount totals R32.9 million ( 54.8 per cent of the budget) and R37.5 million (76 percent for each of the budget) two outer financial years. Roads and transport receives the highest allocation for the year ended 2016 followed by sports and recreations facilities with an amount of 28.4 million which represents 34.8 percent of total capital expenditure

**The following graph provide a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF**



## 1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

See annexure copies of Annual budget which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council.

- **Table 10 – Budget Summary**
- **Explanatory notes to MBRR Table A1 - Budget Summary**

| Description  | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousands  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Financial Performance</b>   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates   | 11 306          | 12 594          | 29 369          | 18 922               | 29 367          | 29 367             | –                 | 31 587  | 33 546                 | 35 525                 |
| Service charges  | 2 548           | 2 564           | 3 179           | 2 176                | 2 300           | 2 300              | –                 | 2 695   | 2 862                  | 3 031                  |
| Investment revenue   | 1 054           | 1 610           | 2 882           | 2 942                | 3 942           | 3 942              | –                 | 4 485   | 4 763                  | 5 044                  |
| Transfers recognised - operational                                   | 64 242          | 68 062          | 76 724          | 95 171               | 104 600         | 104 600            | –                 | 94 154  | 99 804                 | 105 337                |
| Other own revenue  | 5 815           | 6 608           | 8 132           | 12 754               | 8 194           | 8 194              | –                 | 11 397  | 8 174                  | 8 657                  |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>84 965</b>   | <b>91 439</b>   | <b>120 287</b>  | <b>131 965</b>       | <b>148 404</b>  | <b>148 404</b>     | <b>–</b>          | <b>144 318</b>                                      | <b>149 149</b>         | <b>157 593</b>         |
| Employee costs   | 33 544          | 30 705          | 38 899          | 47 479               | 49 019          | 49 019             | –                 | 50 489  | 54 300                 | 58 046                 |
| Remuneration of councillors  | 7 359           | 7 665           | 7 805           | 10 866               | 9 542           | 9 542              | –                 | 9 832   | 10 115                 | 10 722                 |
| Depreciation & asset impairment                                      | 24 060          | 28 284          | 28 846          | 33 000               | 29 000          | 29 000             | –                 | 33 080  | 35 131                 | 37 204                 |
| Finance charges  | 65              | 86              | 8               | 228                  | 70              | 70                 | –                 | 74  | 79                     | 84                     |
| Materials and bulk purchases   | 1 877           | 2 110           | 2 267           | 2 762                | 3 047           | 3 047              | –                 | 4 315   | 4 582                  | 4 852                  |
| Transfers and grants   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Other expenditure  | 44 828          | 40 264          | 65 470          | 43 336               | 50 471          | 50 471             | –                 | 50 513  | 51 355                 | 54 385                 |
| <b>Total Expenditure</b>   | <b>111 732</b>  | <b>109 114</b>  | <b>143 295</b>  | <b>137 671</b>       | <b>141 150</b>  | <b>141 150</b>     | <b>–</b>          | <b>148 303</b>                                      | <b>155 562</b>         | <b>165 293</b>         |
| <b>Surplus/(Deficit)</b>   | <b>(26 767)</b> | <b>(17 674)</b> | <b>(23 009)</b> | <b>(5 706)</b>       | <b>7 254</b>    | <b>7 254</b>       | <b>–</b>          | <b>(3 985)</b>                                      | <b>(6 413)</b>         | <b>(7 700)</b>         |
| Transfers recognised - capital                                       | 27 421          | 27 869          | 34 830          | 35 684               | 31 811          | 31 811             | –                 | 47 918  | 27 377                 | 28 763                 |
| Contributions recognised - capital & contributed assets              | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>654</b>      | <b>10 195</b>   | <b>11 822</b>   | <b>29 978</b>        | <b>39 065</b>   | <b>39 065</b>      | <b>–</b>          | <b>43 933</b>                                       | <b>20 964</b>          | <b>21 063</b>          |
| Share of surplus/ (deficit) of associate                             | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| <b>Surplus/(Deficit) for the year</b>                                | <b>654</b>      | <b>10 195</b>   | <b>11 822</b>   | <b>29 978</b>        | <b>39 065</b>   | <b>39 065</b>      | <b>–</b>          | <b>43 933</b>                                       | <b>20 964</b>          | <b>21 063</b>          |
| <b>Capital expenditure &amp; funds sources</b>                       |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |

|   |          |          |          |          |          |          |         |          |          |          |
|---|----------|----------|----------|----------|----------|----------|---------|----------|----------|----------|
| Capital expenditure                           | 34 685   | 22 622   | 40 121   | 64 862   | 84 026   | 84 026   | –       | 81 666   | 60 162   | 49 042   |
| Transfers recognised - capital                | 27 885   | 16 418   | 34 830   | 64 862   | 38 811   | 38 811   | –       | 47 918   | 27 377   | 28 763   |
| Public contributions & donations              | –        | –        | –        | –        | –        | –        | –       | –        | –        | –        |
| Borrowing                                     | –        | –        | –        | –        | –        | –        | –       | –        | –        | –        |
| Internally generated funds                    | 6 800    | 6 204    | 5 291    | –        | 45 215   | 45 215   | –       | 33 748   | 32 785   | 20 279   |
| Total sources of capital funds                | 34 685   | 22 622   | 40 121   | 64 862   | 84 026   | 84 026   | –       | 81 666   | 60 162   | 49 042   |
| <u>Financial position</u>                     |          |          |          |          |          |          |         |          |          |          |
| Total current assets                          | 48 271   | 67 135   | 68 925   | 85 217   | 85 217   | 85 217   | –       | 78 518   | 76 738   | 88 491   |
| Total non current assets                      | 292 057  | 283 261  | 294 088  | 386 039  | 387 539  | 387 539  | –       | 342 916  | 346 927  | 367 068  |
| Total current liabilities                     | 15 014   | 17 346   | 16 717   | 11 413   | 11 413   | 11 413   | –       | 16 242   | 9 279    | 7 368    |
| Total non current liabilities                 | 6 037    | 4 478    | 5 902    | 4 605    | 4 605    | 4 605    | –       | 6 678    | 7 567    | 7 650    |
| Community wealth/Equity                       | 319 277  | 328 572  | 340 393  | 455 238  | 456 738  | 456 738  | –       | 398 515  | 406 819  | 440 541  |
| <u>Cash flows</u>                             |          |          |          |          |          |          |         |          |          |          |
| Net cash from (used) operating                | 40 152   | 46 664   | 54 495   | 59 490   | 64 701   | 64 701   | –       | 57 514   | 57 672   | 58 873   |
| Net cash from (used) investing                | (30 464) | (32 841) | (40 146) | (56 477) | (82 326) | (82 326) | –       | (65 184) | (60 162) | (49 042) |
| Net cash from (used) financing                | –        | (256)    | (181)    | –        | –        | –        | –       | –        | –        | –        |
| Cash/cash equivalents at the year end         | 29 539   | 43 105   | 57 273   | 38 691   | 18 052   | 18 052   | –       | 10 382   | 7 892    | 17 723   |
| <u>Cash backing/surplus reconciliation</u>    |          |          |          |          |          |          |         |          |          |          |
| Cash and investments available                | 29 539   | 43 105   | 57 273   | 45 560   | 45 560   | 45 560   | –       | 62 382   | 62 892   | 78 723   |
| Application of cash and investments           | (740)    | (3 504)  | 4 871    | (38 855) | (22 671) | (22 671) | –       | 5 155    | 749      | 3 082    |
| Balance - surplus (shortfall)                 | 30 279   | 46 609   | 52 402   | 84 415   | 68 231   | 68 231   | –       | 57 227   | 62 143   | 75 641   |
| <u>Asset management</u>                       |          |          |          |          |          |          |         |          |          |          |
| Asset register summary (WDV)                  | 292 057  | 283 261  | 294 088  | 386 039  | 387 539  | 387 539  | 342 916 | 342 916  | 346 927  | 367 068  |
| Depreciation & asset impairment               | 24 060   | 28 284   | 28 846   | 33 000   | 29 000   | 29 000   | 33 080  | 33 080   | 35 131   | 37 204   |
| Renewal of Existing Assets                    | 4 913    | 1 660    | 1 800    | 3 500    | 8 503    | 8 503    | 8 503   | 6 182    | 3 000    | 2 000    |
| Repairs and Maintenance                       | 1 271    | 1 297    | 1 703    | 2 710    | 2 147    | 2 147    | 2 280   | 2 280    | 2 421    | 2 564    |
| <u>Free services</u>                          |          |          |          |          |          |          |         |          |          |          |
| Cost of Free Basic Services provided          | –        | –        | –        | 7        | 7        | 7        | 7       | 7        | 7        | 7        |
| Revenue cost of free services provided        | –        | –        | –        | –        | –        | –        | 4 178   | 4 178    | 4 437    | 4 699    |
| <u>Households below minimum service level</u> |          |          |          |          |          |          |         |          |          |          |
| Water:  | –        | 8        | 8        | 8        | 8        | 8        | 8       | 8        | 8        | 8        |
| Sanitation/sewerage:                          | –        | 1        | 1        | 1        | 1        | 1        | 1       | 1        | 1        | 1        |
| Energy:                                       | –        | –        | –        | –        | –        | –        | –       | –        | –        | –        |
| Refuse:                                       | –        | 23       | 23       | 23       | 23       | 23       | 23      | 23       | 23       | 23       |

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after total expenditure) is positive over the MTREF.
  - b. Capital expenditure is balanced by capital funding sources, of which
    - I. Transfers recognized are reflected on the Financial Performance Budget;
    - II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the adopted budget policy. There is progressive improvement in the level of cash-backing of obligations.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of free services shows that the amount spent on free basic services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

• **Table 11 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

| Standard Classification Description        | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand                                 | 1   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <u>Revenue - Standard</u>                  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Governance and administration</i>       |     | 109 464         | 115 961         | 145 381         | 151 714              | 162 677         | 162 677            | 177 678   | 166 376                | 175 607                |
| Executive and council                      |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Budget and treasury office                 |     | 11 306          | 12 594          | 145 315         | 151 645              | 162 608         | 162 608            | 181 625   | 166 319                | 175 547                |
| Corporate services                         |     | 98 158          | 103 367         | 66              | 69                   | 69              | 69                 | 53  | 56                     | 60                     |
| <i>Community and public safety</i>         |     | 2               | 2               | 1 499           | 1 260                | 1 334           | 1 334              | 1 315   | 334                    | 354                    |
| Community and social services              |     | 2               | 2               | 1 499           | 1 260                | 1 334           | 1 334              | 1 315   | 334                    | 354                    |
| Sport and recreation                       |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Public safety                              |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Housing                                    |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Health                                     |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <i>Economic and environmental services</i> |     | 372             | 781             | 5 057           | 5 501                | 6 903           | 6 903              | 6 548   | 6 954                  | 7 365                  |
| Planning and development                   |     | 372             | 781             | 805             | 792                  | 941             | 941                | 1 001   | 1 063                  | 1 126                  |
| Road transport                             |     | –               | –               | 4 253           | 4 709                | 5 962           | 5 962              | 5 547   | 5 891                  | 6 238                  |
| Environmental protection                   |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <i>Trading services</i>                    |     | 2 548           | 2 564           | 3 179           | 9 176                | 9 300           | 9 300              | 2 695   | 2 862                  | 3 031                  |
| Electricity                                |     | –               | –               | –               | 7 000                | 7 000           | 7 000              | –   | –                      | –                      |
| Water                                      |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Waste water management                     |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Waste management                           |     | 2 548           | 2 564           | 3 179           | 2 176                | 2 300           | 2 300              | 2 695   | 2 862                  | 3 031                  |
| <i>Other</i>                               | 4   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Total Revenue - Standard</b>            | 2   | 112 386         | 119 308         | 155 117         | 167 649              | 180 214         | 180 214            | 192 236   | 176 526                | 186 356                |

|  |          |                |                |                |                |                |                |                |                |                |
|--|----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <u>Expenditure - Standard</u>              | -        |                |                |                |                |                |                |                |                |                |
| <i>Governance and administration</i>       |          | 108 121        | 104 869        | 111 494        | 95 672         | 97 203         | 97 203         | 101 188        | 108 088        | 114 552        |
| Executive and council                      |          | 8 482          | 8 797          | 20 517         | 27 946         | 27 088         | 27 088         | 26 936         | 29 586         | 31 332         |
| Budget and treasury office                 |          | 4 588          | 3 605          | 76 975         | 53 906         | 52 411         | 52 411         | 57 783         | 61 153         | 64 751         |
| Corporate services                         |          | 95 050         | 92 468         | 14 002         | 13 820         | 17 704         | 17 704         | 16 469         | 17 348         | 18 459         |
| <i>Community and public safety</i>         |          | 687            | 727            | 17 674         | 18 596         | 19 937         | 19 937         | 22 767         | 24 202         | 26 096         |
| Community and social services              |          | 455            | 303            | 17 239         | 13 249         | 19 517         | 19 517         | 22 524         | 23 944         | 25 823         |
| Sport and recreation                       |          | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Public safety                              |          | 231            | 424            | 435            | 5 346          | 420            | 420            | 244            | 259            | 274            |
| Housing                                    |          | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Health                                     |          | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| <i>Economic and environmental services</i> |          | 760            | 663            | 10 985         | 23 404         | 20 049         | 20 049         | 20 120         | 18 782         | 19 890         |
| Planning and development                   |          | 464            | 491            | 5 116          | 8 889          | 9 756          | 9 756          | 8 301          | 8 603          | 9 110          |
| Road transport                             |          | 296            | 171            | 5 870          | 14 515         | 10 294         | 10 294         | 11 820         | 10 179         | 10 779         |
| Environmental protection                   |          | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| <i>Trading services</i>                    |          | 2 164          | 2 854          | 3 142          | -              | 3 960          | 3 960          | 4 228          | 4 490          | 4 755          |
| Electricity                                |          | 605            | 813            | 594            | -              | 900            | 900            | 940            | 998            | 1 057          |
| Water                                      |          | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Waste water management                     |          | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Waste management                           |          | 1 558          | 2 041          | 2 548          | -              | 3 060          | 3 060          | 3 288          | 3 492          | 3 698          |
| <i>Other</i>                               | 4        | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Total Expenditure - Standard</b>        | <b>3</b> | <b>111 732</b> | <b>109 114</b> | <b>143 295</b> | <b>137 671</b> | <b>141 150</b> | <b>141 150</b> | <b>148 303</b> | <b>155 562</b> | <b>165 293</b> |
| <b>Surplus/(Deficit) for the year</b>      |          | <b>654</b>     | <b>10 195</b>  | <b>11 822</b>  | <b>29 978</b>  | <b>39 065</b>  | <b>39 065</b>  | <b>43 933</b>  | <b>20 964</b>  | <b>21 063</b>  |

### Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. The Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4. The total revenue on the Table A4 separated the transfer recognized capital as single item.
3. Note that as a general principle the revenues for trading services should exceed their expenditures. Table 2 shows the surplus of R47,4 million for 2016/17 financial periods, this proves that the municipality follows section 18 of the MFMA. The municipality shows a surplus for all perspective years.

• **Table 12 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description<br>R thousand                | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Revenue by Vote</b>                        | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Executive and Council                |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Vote 2 - Budget and treasury                  |     | 11 306          | 12 594          | 145 315         | 151 645              | 162 608         | 162 608            | 181 625   | 166 319                | 175 547                |
| Vote 3 - Corporate Services                   |     | 98 158          | 103 367         | 66              | 69                   | 69              | 69                 | 53  | 56                     | 60                     |
| Vote 4 - Planning and Development             |     | 372             | 781             | 805             | 792                  | 941             | 941                | 1 001   | 1 063                  | 1 126                  |
| Vote 5 - Community and Social Services        |     | 2               | 2               | 1 499           | 1 260                | 1 334           | 1 334              | 1 315   | 334                    | 354                    |
| Vote 6 - Sports and Recreation                |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Vote 7 - Waste Management                     |     | 2 548           | 2 564           | 3 179           | 2 176                | 2 300           | 2 300              | 2 695   | 2 862                  | 3 031                  |
| Vote 8 - Waste water Management               |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Vote 9 - Roads and Transport                  |     | –               | –               | 4 253           | 4 709                | 5 962           | 5 962              | 5 547   | 5 891                  | 6 238                  |
| Vote 10 - Water                               |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Vote 11 - Public Safety                       |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Vote 12 - Electricity Distribution            |     | –               | –               | –               | 7 000                | 7 000           | 7 000              | –   | –                      | –                      |
| Vote 13 - [NAME OF VOTE 13]                   |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Vote 14 - [NAME OF VOTE 14]                   |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Vote 15 - [NAME OF VOTE 15]                   |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Total Revenue by Vote</b>                  | 2   | 112 386         | 119 308         | 155 117         | 167 649              | 180 214         | 180 214            | 192 236   | 176 526                | 186 356                |
| <b>Expenditure by Vote to be appropriated</b> | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Executive and Council                |     | 8 482           | 8 797           | 20 517          | 27 946               | 27 088          | 27 088             | 26 816  | 29 459                 | 31 197                 |
| Vote 2 - Budget and treasury                  |     | 5 103           | 4 189           | 77 858          | 53 906               | 52 411          | 52 411             | 60 529  | 64 069                 | 67 849                 |
| Vote 3 - Corporate Services                   |     | 94 848          | 92 059          | 14 002          | 13 820               | 17 704          | 17 704             | 16 174  | 17 034                 | 18 126                 |
| Vote 4 - Planning and Development             |     | 151             | 316             | 4 232           | 8 889                | 9 756           | 9 756              | 5 971   | 6 129                  | 6 490                  |
| Vote 5 - Community and Social Services        |     | 455             | 303             | 17 239          | 6 973                | 19 517          | 19 517             | 22 524  | 23 944                 | 25 823                 |
| Vote 6 - Sports and Recreation                |     | –               | –               | –               | 4 649                | –               | –                  | –   | –                      | –                      |



|                                    |   |         |         |         |         |         |         |         |         |         |
|------------------------------------|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Vote 7 - Waste Management          |   | 1 558   | 2 041   | 2 548   | 6 276   | 3 060   | 3 060   | 3 288   | 3 492   | 3 698   |
| Vote 8 - Waste water Management    |   | –       | –       | –       | –       | –       | –       | –       | –       | –       |
| Vote 9 - Roads and Transport       |   | 296     | 171     | 5 870   | 15 212  | 10 294  | 10 294  | 11 820  | 10 179  | 10 779  |
| Vote 10 - Water                    |   | –       | –       | –       | –       | –       | –       | –       | –       | –       |
| Vote 11 - Public Safety            |   | 231     | 424     | 435     | –       | 420     | 420     | 244     | 259     | 274     |
| Vote 12 - Electricity Distribution |   | 605     | 813     | 594     | –       | 900     | 900     | 940     | 998     | 1 057   |
| Vote 13 - [NAME OF VOTE 13]        |   | –       | –       | –       | –       | –       | –       | –       | –       | –       |
| Vote 14 - [NAME OF VOTE 14]        |   | –       | –       | –       | –       | –       | –       | –       | –       | –       |
| Vote 15 - [NAME OF VOTE 15]        |   | –       | –       | –       | –       | –       | –       | –       | –       | –       |
| Total Expenditure by Vote          | 2 | 111 732 | 109 114 | 143 295 | 137 671 | 141 150 | 141 150 | 148 303 | 155 562 | 165 293 |
| Surplus/(Deficit) for the year     | 2 | 654     | 10 195  | 11 822  | 29 978  | 39 065  | 39 065  | 43 933  | 20 964  | 21 063  |

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

• **Table 13 - Budgeted Financial Performance (revenue and expenditure)**

| Description  | Re<br>f  | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|----------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand   | 1        | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Revenue By Source</b>   |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates   | 2        | 11 306          | 12 594          | 29 369          | 18 922               | 29 367          | 29 367             | –                 | 31 587  | 33 546                 | 35 525                 |
| Property rates - penalties & collection charges                      |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Service charges - electricity revenue                                | 2        | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Service charges - water revenue                                      | 2        | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Service charges - sanitation revenue                                 | 2        | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Service charges - refuse revenue                                     | 2        | 2 548           | 2 564           | 3 179           | 2 176                | 2 300           | 2 300              | –                 | 2 695   | 2 862                  | 3 031                  |
| Service charges - other  |          |                 |                 |                 |                      | –               | –                  |                   |   |                        |                        |
| Rental of facilities and equipment                                   |          | 256             | 269             | 325             | 291                  | 294             | 294                |                   | 313   | 332                    | 352                    |
| Interest earned - external investments                               |          | 1 054           | 1 610           | 2 882           | 2 942                | 3 942           | 3 942              |                   | 4 485   | 4 763                  | 5 044                  |
| Interest earned - outstanding debtors                                |          | 193             | 206             |                 | 653                  | 653             | 653                |                   | 328   | 348                    | 369                    |
| Dividends received   |          |                 |                 |                 |                      | –               | –                  |                   |   |                        |                        |
| Fines  |          | 234             | 221             | 771             | 308                  | 308             | 308                |                   | 316   | 336                    | 355                    |
| Licences and permits   |          | 2 657           | 2 328           | 2 866           | 2 854                | 2 854           | 2 854              |                   | 3 034   | 3 223                  | 3 413                  |
| Agency services  |          | 1 086           | 1 952           | 1 387           | 1 547                | 2 800           | 2 800              |                   | 2 197   | 2 333                  | 2 470                  |
| Transfers recognised - operational                                   |          | 64 242          | 68 062          | 76 724          | 95 171               | 104 600         | 104 600            |                   | 94 154  | 99 804                 | 105 337                |
| Other revenue  | 2        | 1 389           | 1 631           | 2 783           | 5 026                | 1 285           | 1 285              | –                 | 1 509   | 1 603                  | 1 698                  |
| Gains on disposal of PPE   |          |                 |                 |                 | 2 075                |                 |                    |                   | 3 700   |                        |                        |
| <b>Total Revenue (excluding capital transfers and contributions)</b> |          | <b>84 965</b>   | <b>91 439</b>   | <b>120 287</b>  | <b>131 965</b>       | <b>148 404</b>  | <b>148 404</b>     | <b>–</b>          | <b>144 318</b>                                      | <b>149 149</b>         | <b>157 593</b>         |
| <b>Expenditure By Type</b>   | <b>-</b> |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee related costs   | 2        | 33 544          | 30 705          | 38 899          | 47 479               | 49 019          | 49 019             | –                 | 50 489  | 54 300                 | 58 046                 |
| Remuneration of councillors  |          | 7 359           | 7 665           | 7 805           | 10 866               | 9 542           | 9 542              |                   | 9 832   | 10 115                 | 10 722                 |
| Debt impairment  | 3        | 3 032           | 2 827           | 31 021          | 3 700                | 3 700           | 3 700              |                   | 4 555   | 4 832                  | 5 117                  |

|   |      |          |          |          |         |         |         |   |         |         |         |
|---|------|----------|----------|----------|---------|---------|---------|---|---------|---------|---------|
| Depreciation & asset impairment                           | 2    | 24 060   | 28 284   | 28 846   | 33 000  | 29 000  | 29 000  | – | 33 080  | 35 131  | 37 204  |
| Finance charges   |      | 65       | 86       | 8        | 228     | 70      | 70      |   | 74      | 79      | 84      |
| Bulk purchases  | 2    | 605      | 813      | 564      | –       | 900     | 900     | – | 940     | 998     | 1 057   |
| Other materials   | 8    | 1 271    | 1 297    | 1 703    | 2 762   | 2 147   | 2 147   |   | 3 374   | 3 584   | 3 795   |
| Contracted services                                       |      | 5 222    | 5 614    | 6 819    | 7 238   | 7 538   | 7 538   | – | 8 244   | 8 755   | 9 272   |
| Transfers and grants                                      |      | –        | –        | –        | –       | –       | –       | – | –       | –       | –       |
| Other expenditure   | 4, 5 | 19 990   | 20 790   | 26 652   | 32 397  | 39 232  | 39 232  | – | 37 391  | 37 419  | 39 626  |
| Loss on disposal of PPE                                   |      | 16 583   | 11 033   | 976      |         |         |         |   | 328     | 349     | 369     |
| Total Expenditure   |      | 111 732  | 109 114  | 143 295  | 137 671 | 141 150 | 141 150 | – | 148 303 | 155 562 | 165 293 |
| Surplus/(Deficit)   |      | (26 767) | (17 674) | (23 009) | (5 706) | 7 254   | 7 254   | – | (3 985) | (6 413) | (7 700) |
| Transfers recognised - capital                            |      | 27 421   | 27 869   | 34 830   | 35 684  | 31 811  | 31 811  |   | 47 918  | 27 377  | 28 763  |
| Contributions recognised - capital                        | 6    | –        | –        | –        | –       | –       | –       | – | –       | –       | –       |
| Contributed assets  |      |          |          |          |         |         |         |   |         |         |         |
| Surplus/(Deficit) after capital transfers & contributions |      | 654      | 10 195   | 11 822   | 29 978  | 37 565  | 37 565  | – | 43 933  | 20 964  | 21 063  |
| Taxation  |      |          |          |          |         |         |         |   |         |         |         |
| Surplus/(Deficit) after taxation                          |      | 654      | 10 195   | 11 822   | 29 978  | 37 565  | 37 565  | – | 43 933  | 20 964  | 21 063  |
| Attributable to minorities                                |      |          |          |          |         |         |         |   |         |         |         |
| Surplus/(Deficit) attributable to municipality            |      | 654      | 10 195   | 11 822   | 29 978  | 37 565  | 37 565  | – | 43 933  | 20 964  | 21 063  |
| Share of surplus/ (deficit) of associate                  | 7    |          |          |          |         |         |         |   |         |         |         |
| Surplus/(Deficit) for the year                            |      | 654      | 10 195   | 11 822   | 29 978  | 39 065  | 39 065  | – | 43 933  | 20 964  | 21 063  |

### Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital transfer and contributions is R144.7 million in 2016/17 and increase to R151.8 million and R161.3 million for each of the respective years of the MTREF. This shows an increase of 2.5 per cent for the 2016/17 financial year and increase of 4.8 percent and 6, 2 percent for each of the outer years.
2. Revenue to be generated from property rates in the 2016/17 financial year is R31.5 million and increases to R35.5 million by 2017/18 which represents 22.5 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality.

It remains relatively constant over the medium-term and tariff increases have been factored in at 6.6 per cent, 6.2 per cent and 5.9 per cent for each of the respective financial years of the MTREF.

3. Other revenue like town planning fees, building plans, clearance certificates, etc. constitutes 1 percent of the total operating revenue. For 2016/17 financial period other revenue amounts to R1,5 million, and 1.6 million for the two outer's years. Transfers recognized – operating includes the local government equitable share and other operating grants from national government. The grants receipts from national government are declining rapidly over the MTREF by 10.4 million for 2016/17 and increased by 5.6 million and 5.5 million for the two outer years when compared to the operating grants for previous years.
4. Bulk purchases have significantly increased over the 2016/17 to 2018/19 period escalating from R940 000 to R1,0 million.
6. Employee related costs and contracted services are the main cost drivers within the municipality.

• **Table 14 - Budgeted Capital Expenditure by vote, standard classification and funding source**

| Vote Description<br><br>R thousand                       | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Capital expenditure - Vote</b>                        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b><u>Multi-year expenditure to be appropriated</u></b>  | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive and Council                           |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Budget and treasury                             |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                              |     | 3 765           | 2 277           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 4 - Planning and Development                        |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 5 - Community and Social Services                   |     | -               | 312             | 5 257           | -                    | 10 919          | 10 919             | -                 | 10 707  | -                      | -                      |
| Vote 6 - Sports and Recreation                           |     | 2 447           | 7 606           | 4 575           | -                    | 15 028          | 15 028             | -                 | 28 449  | 20 891                 | 5 563                  |
| Vote 7 - Waste Management                                |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - Waste water Management                          |     | 9 042           | 3 056           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - Roads and Transport                             |     | 15 819          | 4 880           | 24 235          | -                    | 39 554          | 39 554             | -                 | 31 744  | 32 986                 | 37 500                 |
| Vote 10 - Water  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - Public Safety                                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - Electricity Distribution                       |     | 1 663           | 2 555           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                              |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                              |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                              |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Capital multi-year expenditure sub-total</b>          | 7   | 32 735          | 20 685          | 34 068          | -                    | 65 501          | 65 501             | -                 | 70 900  | 53 877                 | 43 063                 |
| <b><u>Single-year expenditure to be appropriated</u></b> | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive and Council                           |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Budget and treasury                             |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                              |     | 1 442           | 1 401           | 5 811           | 10 390               | 9 240           | 9 240              | -                 | 8 666   | 5 285                  | 4 979                  |
| Vote 4 - Planning and Development                        |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 5 - Community and Social Services                   |     | 508             | 536             | 242             | 5 690                | 2 100           | 2 100              | -                 | 1 600   | 1 000                  | 1 000                  |
| Vote 6 - Sports and Recreation                           |     | -               | -               | -               | 11 500               | -               | -                  | -                 | -   | -                      | -                      |
| Vote 7 - Waste Management                                |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - Waste water Management                          |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - Roads and Transport                             |     | -               | -               | -               | 30 097               | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - Water  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - Public Safety                                  |     | -               | -               | -               | 185                  | 185             | 185                | -                 | 500   | -                      | -                      |
| Vote 12 - Electricity Distribution                       |     | -               | -               | -               | 7 000                | 7 000           | 7 000              | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                              |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |

|  |   |        |        |        |        |        |        |   |        |        |        |
|--|---|--------|--------|--------|--------|--------|--------|---|--------|--------|--------|
| Vote 14 - [NAME OF VOTE 14]                |   | -      | -      | -      | -      | -      | -      | - | -      | -      | -      |
| Vote 15 - [NAME OF VOTE 15]                |   | -      | -      | -      | -      | -      | -      | - | -      | -      | -      |
| Capital single-year expenditure sub-total  |   | 1 950  | 1 937  | 6 053  | 64 862 | 18 525 | 18 525 | - | 10 766 | 6 285  | 5 979  |
| Total Capital Expenditure - Vote           |   | 34 685 | 22 622 | 40 121 | 64 862 | 84 026 | 84 026 | - | 81 666 | 60 162 | 49 042 |
| <b>Capital Expenditure - Standard</b>      |   |        |        |        |        |        |        |   |        |        |        |
| <i>Governance and administration</i>       |   | 5 207  | 3 678  | 5 811  | 10 390 | 9 240  | 9 240  | - | 8 666  | 5 285  | 4 979  |
| Executive and council                      |   |        |        |        |        | -      | -      |   |        |        |        |
| Budget and treasury office                 |   |        |        |        |        | -      | -      |   |        |        |        |
| Corporate services                         |   | 5 207  | 3 678  | 5 811  | 10 390 | 9 240  | 9 240  |   | 8 666  | 5 285  | 4 979  |
| <i>Community and public safety</i>         |   | 2 955  | 8 453  | 10 075 | 17 375 | 28 232 | 28 232 | - | 41 256 | 21 891 | 6 563  |
| Community and social services              |   | 508    | 847    | 5 500  | 5 690  | 13 019 | 13 019 |   | 12 307 | 1 000  | 1 000  |
| Sport and recreation                       |   | 2 447  | 7 606  | 4 575  | 11 500 | 15 028 | 15 028 |   | 28 449 | 20 891 | 5 563  |
| Public safety                              |   |        |        |        | 185    | 185    | 185    |   | 500    |        |        |
| Housing                                    |   |        |        |        |        | -      | -      |   |        |        |        |
| Health                                     |   |        |        |        |        | -      | -      |   |        |        |        |
| <i>Economic and environmental services</i> |   | 15 819 | 4 880  | 24 235 | 30 097 | 38 054 | 38 054 | - | 31 744 | 32 986 | 37 500 |
| Planning and development                   |   |        |        |        |        |        |        |   |        |        |        |
| Road transport                             |   | 15 819 | 4 880  | 24 235 | 30 097 | 39 554 | 39 554 |   | 31 744 | 32 986 | 37 500 |
| Environmental protection                   |   |        |        |        |        |        |        |   |        |        |        |
| <i>Trading services</i>                    |   | 10 704 | 5 611  | -      | 7 000  | 7 000  | 7 000  | - | -      | -      | -      |
| Electricity                                |   | 1 663  | 2 555  |        | 7 000  | 7 000  | 7 000  |   |        |        |        |
| Water                                      |   |        |        |        |        |        |        |   |        |        |        |
| Waste water management                     |   | 9 042  | 3 056  |        |        |        |        |   |        |        |        |
| Waste management                           |   |        |        |        |        |        |        |   |        |        |        |
| <i>Other</i>                               |   |        |        |        |        |        |        |   |        |        |        |
| Total Capital Expenditure - Standard       | 3 | 34 685 | 22 622 | 40 121 | 64 862 | 84 026 | 84 026 | - | 81 666 | 60 162 | 49 042 |
| <b>Funded by:</b>                          |   |        |        |        |        |        |        |   |        |        |        |
| National Government                        |   | 27 885 | 16 418 | 34 830 | 60 840 | 38 811 | 38 811 |   | 47 918 | 27 377 | 28 763 |
| Provincial Government                      |   |        |        |        |        |        |        |   |        |        |        |
| District Municipality                      |   |        |        |        |        |        |        |   |        |        |        |
| Other transfers and grants                 |   |        |        |        | 4 022  |        |        |   |        |        |        |
| Transfers recognised - capital             | 4 | 27 885 | 16 418 | 34 830 | 64 862 | 38 811 | 38 811 | - | 47 918 | 27 377 | 28 763 |
| Public contributions & donations           | 5 |        |        |        |        |        |        |   |        |        |        |
| Borrowing                                  | 6 |        |        |        |        |        |        |   |        |        |        |
| Internally generated funds                 |   | 6 800  | 6 204  | 5 291  |        | 45 215 | 45 215 |   | 33 748 | 32 785 | 20 279 |
| Total Capital Funding                      | 7 | 34 685 | 22 622 | 40 121 | 64 862 | 84 026 | 84 026 | - | 81 666 | 60 162 | 49 042 |

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17 R10.7 million has been allocated for capital expenditure for single year and 70.9 million has been allocated for multiyear capital expenditure for 2016/17 financial period.
3. The capital programme is funded from national and provincial grants and transfers and internally generated funds from both current year surplus and cash-backed accumulated surplus.. For 2016/17 capital funds transfers by national government is R47.9 and own funding amounts to R33.7 million. The municipality received additional MIG funding of R20 million in March 2016. An amount of R18.5 million was allocated for 2016/17 financial period while the remaining amount was allocated for 2015/16.

• **Table 15 - Budgeted Financial Position**

| Description                              | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand                               |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>ASSETS</b>                            |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Current assets                           |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash                                     |     | 3 565           | 521             | 5 807           | 3 560                | 3 560           | 3 560              |                   | 10 382  | 7 892                  | 17 723                 |
| Call investment deposits                 | 1   | 25 974          | 42 584          | 51 466          | 42 000               | 42 000          | 42 000             | –                 | 52 000  | 55 000                 | 61 000                 |
| Consumer debtors                         | 1   | 2 300           | 2 062           | 2 884           | 10 600               | 10 600          | 10 600             | –                 | 7 100   | 4 968                  | 2 851                  |
| Other debtors                            |     | 16 340          | 21 884          | 8 702           | 29 000               | 29 000          | 29 000             |                   | 8 950   | 8 790                  | 6 850                  |
| Current portion of long-term receivables |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Inventory                                | 2   | 92              | 84              | 67              | 57                   | 57              | 57                 |                   | 87  | 89                     | 67                     |
| <b>Total current assets</b>              |     | <b>48 271</b>   | <b>67 135</b>   | <b>68 925</b>   | <b>85 217</b>        | <b>85 217</b>   | <b>85 217</b>      | <b>–</b>          | <b>78 518</b>                                       | <b>76 738</b>          | <b>88 491</b>          |
| Non current assets                       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Long-term receivables                    |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Investments                              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Investment property                      |     | 3 255           | 3 680           | 4 184           | 3 250                | 3 250           | 3 250              |                   | 4 184   | 4 443                  | 4 705                  |
| Investment in Associate                  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property, plant and equipment            | 3   | 288 775         | 278 987         | 288 915         | 382 412              | 383 912         | 383 912            | –                 | 337 993   | 341 777                | 361 690                |
| Agricultural                             |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Biological                               |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Intangible                               |     | 28              | 378             | 773             | 377                  | 377             | 377                |                   | 740   | 707                    | 673                    |
| Other non-current assets                 |     |                 | 216             | 216             |                      |                 |                    |                   |   |                        |                        |
| <b>Total non current assets</b>          |     | <b>292 057</b>  | <b>283 261</b>  | <b>294 088</b>  | <b>386 039</b>       | <b>387 539</b>  | <b>387 539</b>     | <b>–</b>          | <b>342 916</b>                                      | <b>346 927</b>         | <b>367 068</b>         |
| <b>TOTAL ASSETS</b>                      |     | <b>340 328</b>  | <b>350 396</b>  | <b>363 013</b>  | <b>471 256</b>       | <b>472 756</b>  | <b>472 756</b>     | <b>–</b>          | <b>421 435</b>                                      | <b>423 665</b>         | <b>455 559</b>         |
| <b>LIABILITIES</b>                       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Current liabilities                      |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Bank overdraft                           | - 1 |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Borrowing                                | 4   | –               | 181             | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Consumer deposits                        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |



|                                      |   |                |                |                |                |                |                |          |                |                |                |
|--------------------------------------|---|----------------|----------------|----------------|----------------|----------------|----------------|----------|----------------|----------------|----------------|
| Trade and other payables             | 4 | 14 318         | 12 663         | 13 319         | 10 753         | 10 753         | 10 753         | –        | 12 932         | 6 299          | 4 588          |
| Provisions                           |   | 696            | 4 503          | 3 398          | 660            | 660            | 660            |          | 3 310          | 2 980          | 2 780          |
| <b>Total current liabilities</b>     |   | <b>15 014</b>  | <b>17 346</b>  | <b>16 717</b>  | <b>11 413</b>  | <b>11 413</b>  | <b>11 413</b>  | <b>–</b> | <b>16 242</b>  | <b>9 279</b>   | <b>7 368</b>   |
| <b>Non current liabilities</b>       |   |                |                |                |                |                |                |          |                |                |                |
| Borrowing                            |   | 257            | –              | –              | 121            | 121            | 121            | –        | –              | –              | –              |
| Provisions                           |   | 5 780          | 4 478          | 5 902          | 4 484          | 4 484          | 4 484          | –        | 6 678          | 7 567          | 7 650          |
| <b>Total non current liabilities</b> |   | <b>6 037</b>   | <b>4 478</b>   | <b>5 902</b>   | <b>4 605</b>   | <b>4 605</b>   | <b>4 605</b>   | <b>–</b> | <b>6 678</b>   | <b>7 567</b>   | <b>7 650</b>   |
| <b>TOTAL LIABILITIES</b>             |   | <b>21 051</b>  | <b>21 824</b>  | <b>22 620</b>  | <b>16 018</b>  | <b>16 018</b>  | <b>16 018</b>  | <b>–</b> | <b>22 920</b>  | <b>16 846</b>  | <b>15 018</b>  |
| <b>NET ASSETS</b>                    | 5 | <b>319 277</b> | <b>328 572</b> | <b>340 393</b> | <b>455 238</b> | <b>456 738</b> | <b>456 738</b> | <b>–</b> | <b>398 515</b> | <b>406 819</b> | <b>440 541</b> |
| <b>COMMUNITY WEALTH/EQUITY</b>       |   |                |                |                |                |                |                |          |                |                |                |
| Accumulated Surplus/(Deficit)        |   | 319 277        | 328 572        | 340 393        | 455 238        | 456 738        | 456 738        |          | 398 515        | 406 819        | 440 541        |
| Reserves                             | 4 | –              | –              | –              | –              | –              | –              | –        | –              | –              | –              |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b> | 5 | <b>319 277</b> | <b>328 572</b> | <b>340 393</b> | <b>455 238</b> | <b>456 738</b> | <b>456 738</b> | <b>–</b> | <b>398 515</b> | <b>406 819</b> | <b>440 541</b> |

### Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents assets liabilities as “accounting” community wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;

- Property, plant and equipment;
  - Trade and other payables;
  - Provisions noncurrent;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is community wealth/equity. The justification is that ownership and the net assets of the municipality belong to the community.
  5. Any movement on the budgeted financial performance or the capital budget will inevitably impact on the budgeted financial position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 16 - Budgeted Cash Flow Statement**

| Description                                       | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates, penalties & collection charges    |     | 11 306          | 12 594          | 22 383          | 30 966               | 29 367          | 29 367             |                   | 29 087  | 31 846                 | 32 625                 |
| Service charges                                   |     | 2 548           | 481             | 483             | 3 277                | 2 300           | 2 300              |                   | 2 145   | 2 312                  | 2 481                  |
| Other revenue                                     |     | 2 035           | 1 621           | 6 795           | 5 564                | 1 977           | 1 977              |                   | 7 313   | 7 776                  | 8 238                  |
| Government - operating                            | 1   | 66 813          | 73 548          | 72 533          | 104 045              | 104 600         | 104 600            |                   | 94 154  | 99 804                 | 105 337                |
| Government - capital                              | 1   | 27 421          | 27 869          | 34 830          | 25 830               | 30 311          | 30 311             |                   | 29 418  | 27 377                 | 28 763                 |
| Interest  |     | 1 247           | 1 816           | 2 882           | 2 659                | 4 595           | 4 595              |                   | 4 485   | 4 763                  | 5 044                  |
| Dividends   |     |                 |                 |                 | -                    | -               | -                  |                   | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Suppliers and employees                           |     | (71 152)        | (71 180)        | (85 403)        | (112 700)            | (108 380)       | (108 380)          |                   | (109 014)   | (116 127)              | (123 531)              |
| Finance charges                                   |     | (65)            | (86)            | (8)             | (150)                | (70)            | (70)               |                   | (74)  | (79)                   | (84)                   |
| Transfers and Grants                              | 1   |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  |     | 40 152          | 46 664          | 54 495          | 59 490               | 64 701          | 64 701             | -                 | 57 514  | 57 672                 | 58 873                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Proceeds on disposal of PPE                       |     |                 | (10 349)        |                 |                      |                 |                    |                   | 3 700   | -                      | -                      |
| Decrease (Increase) in non-current debtors        |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Decrease (increase) other non-current receivables |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Decrease (increase) in non-current investments    |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital assets                                    |     | (30 464)        | (22 492)        | (40 146)        | (56 477)             | (82 326)        | (82 326)           |                   | (68 884)  | (60 162)               | (49 042)               |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  |     | (30 464)        | (32 841)        | (40 146)        | (56 477)             | (82 326)        | (82 326)           | -                 | (65 184)  | (60 162)               | (49 042)               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |

|   |   |        |        |        |        |          |          |   |         |         |        |
|---|---|--------|--------|--------|--------|----------|----------|---|---------|---------|--------|
| Receipts                                  |   |        |        |        |        |          |          |   |         |         |        |
| Short term loans                          |   |        |        |        |        |          |          |   | -       | -       | -      |
| Borrowing long term/refinancing           |   |        | (256)  | (181)  |        |          |          |   | -       | -       | -      |
| Increase (decrease) in consumer deposits  |   |        |        |        |        |          |          |   | -       | -       | -      |
| Payments                                  |   |        |        |        |        |          |          |   |         |         |        |
| Repayment of borrowing                    |   |        |        |        |        |          |          |   | -       | -       | -      |
| NET CASH FROM/(USED) FINANCING ACTIVITIES |   | -      | (256)  | (181)  | -      | -        | -        | - | -       | -       | -      |
| NET INCREASE/ (DECREASE) IN CASH HELD     |   | 9 689  | 13 566 | 14 168 | 3 014  | (17 625) | (17 625) | - | (7 670) | (2 490) | 9 831  |
| Cash/cash equivalents at the year begin:  | 2 | 19 850 | 29 539 | 43 105 | 35 677 | 35 677   | 35 677   |   | 18 052  | 6 382   | 3 892  |
| Cash/cash equivalents at the year end:    | 2 | 29 539 | 43 105 | 57 273 | 38 691 | 18 052   | 18 052   | - | 10 382  | 3 892   | 13 723 |

• **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2016/17 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
4. Cash and cash equivalents totals R10,3 million as at the end of the 2016/17 financial year and decrease to R3,8 million and also increase to R13,7 million for the two outers years. The cash flow statement shows the positive movement from 2012/13 to 2018/19

**Table 17 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

| Description<br>R thousand                  | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <u>Cash and investments available</u>      |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end      | 1   | 29 539          | 43 105          | 57 273          | 38 691               | 18 052          | 18 052             | –                 | 10 382  | 7 892                  | 17 723                 |
| Other current investments > 90 days        |     | (0)             | (0)             | 0               | 6 869                | 27 508          | 27 508             | –                 | 52 000  | 55 000                 | 61 000                 |
| Non current assets - Investments           | 1   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Cash and investments available:            |     | 29 539          | 43 105          | 57 273          | 45 560               | 45 560          | 45 560             | –                 | 62 382  | 62 892                 | 78 723                 |
| <u>Application of cash and investments</u> |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Unspent conditional transfers              |     | 3 742           | 9 227           | 5 036           | –                    | –               | –                  | –                 | 3 500   | 1 200                  | 1 000                  |
| Unspent borrowing                          |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Statutory requirements                     | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Other working capital requirements         | 3   | (4 482)         | (12 731)        | (165)           | (38 855)             | (22 671)        | (22 671)           | –                 | (5 305)   | (7 842)                | (5 318)                |
| Other provisions                           |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Long term investments committed            | 4   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Reserves to be backed by cash/investments  | 5   |                 |                 |                 |                      |                 |                    |                   | 6 959   | 7 391                  | 7 400                  |
| Total Application of cash and investments: |     | (740)           | (3 504)         | 4 871           | (38 855)             | (22 671)        | (22 671)           | –                 | 5 155   | 749                    | 3 082                  |
| Surplus(shortfall)                         |     | 30 279          | 46 609          | 52 402          | 84 415               | 68 231          | 68 231             | –                 | 57 227  | 62 143                 | 75 641                 |

- **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise for the financial year 2016/17 is a surplus, which indicates that the cash and investments available exceed the applications, which is further indicative of compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality shows the positive movement for all the years.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash
6. As part of the budgeting and planning guidelines that informed the compilation of the 2016/17 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

• **Table 18- Asset Management**

| Description                                    | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>R thousand</b>                              |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>CAPITAL EXPENDITURE</b>                     |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <u><b>Total New Assets</b></u>                 | 1   | 29 772          | 20 962          | 38 321          | 61 362               | 75 523          | 75 523             | 75 484  | 57 162                 | 47 042                 |
| Infrastructure - Road transport                |     | 21 626          | 6 276           | 22 435          | 26 597               | 31 051          | 31 051             | 25 562  | 29 986                 | 35 500                 |
| Infrastructure - Electricity                   |     | 1 663           | 2 555           | -               | 7 185                | 7 185           | 7 185              | 500   | -                      | -                      |
| Infrastructure - Water                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Sanitation                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Other                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                                 |     | 23 289          | 8 831           | 22 435          | 33 782               | 38 236          | 38 236             | 26 062  | 29 986                 | 35 500                 |
| Community                                      |     | 2 955           | 8 453           | 10 075          | 17 190               | 28 047          | 28 047             | 40 756  | 21 891                 | 6 563                  |
| Heritage assets                                |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other assets                                   | 6   | 3 528           | 3 678           | 5 811           | 10 390               | 9 240           | 9 240              | 8 666   | 5 285                  | 4 979                  |
| Agricultural Assets                            |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological assets                              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangibles                                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <u><b>Total Renewal of Existing Assets</b></u> | 2   | 4 913           | 1 660           | 1 800           | 3 500                | 8 503           | 8 503              | 6 182   | 3 000                  | 2 000                  |
| Infrastructure - Road transport                |     | 3 234           | 1 660           | 1 800           | 3 500                | 8 503           | 8 503              | 6 182   | 3 000                  | 2 000                  |
| Infrastructure - Electricity                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Water                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Sanitation                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Other                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                                 | -   | 3 234           | 1 660           | 1 800           | 3 500                | 8 503           | 8 503              | 6 182   | 3 000                  | 2 000                  |
| Community                                      | -   | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Heritage assets                                | -   | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                          | -   | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other assets                                   | 6   | 1 679           | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Agricultural Assets                            |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological assets                              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangibles                                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <u><b>Total Capital Expenditure</b></u>        | 4   |                 |                 |                 |                      |                 |                    |   |                        |                        |

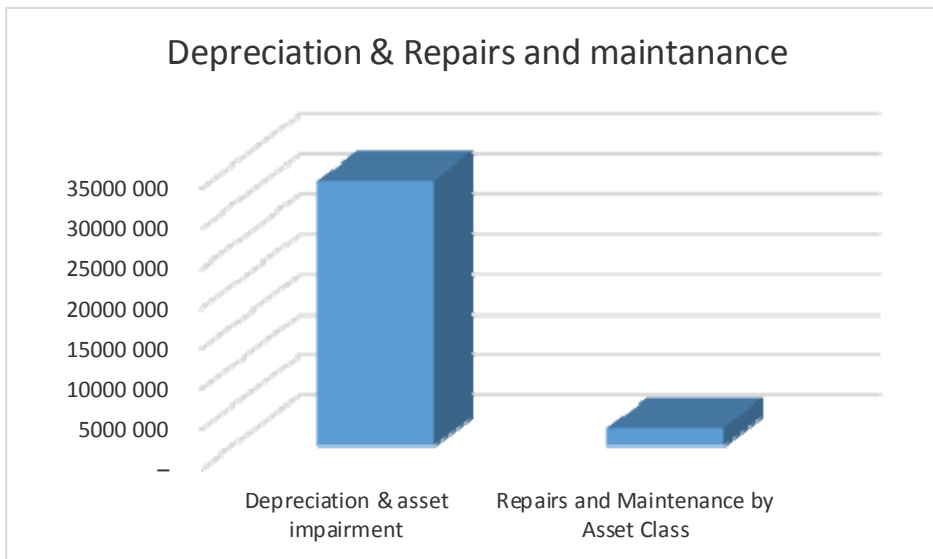
|   |          |                |                |                |                |                |                |                |                |                |
|---|----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Infrastructure - Road transport                 |          | 24 860         | 7 936          | 24 235         | 30 097         | 39 554         | 39 554         | 31 744         | 32 986         | 37 500         |
| Infrastructure - Electricity                    |          | 1 663          | 2 555          | –              | 7 185          | 7 185          | 7 185          | 500            | –              | –              |
| Infrastructure - Water                          |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Infrastructure - Sanitation                     |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Infrastructure - Other                          |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Infrastructure                                  |          | 26 523         | 10 491         | 24 235         | 37 282         | 46 739         | 46 739         | 32 244         | 32 986         | 37 500         |
| Community                                       |          | 2 955          | 8 453          | 10 075         | 17 190         | 28 047         | 28 047         | 40 756         | 21 891         | 6 563          |
| Heritage assets                                 |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Investment properties                           |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Other assets                                    |          | 5 207          | 3 678          | 5 811          | 10 390         | 9 240          | 9 240          | 8 666          | 5 285          | 4 979          |
| Agricultural Assets                             |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Biological assets                               |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Intangibles                                     |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| <b>TOTAL CAPITAL EXPENDITURE - Asset class</b>  | <b>2</b> | <b>34 685</b>  | <b>22 622</b>  | <b>40 121</b>  | <b>64 862</b>  | <b>84 026</b>  | <b>84 026</b>  | <b>81 666</b>  | <b>60 162</b>  | <b>49 042</b>  |
| <b>ASSET REGISTER SUMMARY - PPE (WDV)</b>       | <b>5</b> |                |                |                |                |                |                |                |                |                |
| Infrastructure - Road transport                 |          | 173 471        | 92 382         | 109 598        | 258 600        | 260 100        | 260 100        | 132 219        | 121 710        | 130 076        |
| Infrastructure - Electricity                    |          | 4 127          |                |                | 12 676         | 12 676         | 12 676         |                |                |                |
| Infrastructure - Water                          |          |                |                |                |                |                |                |                |                |                |
| Infrastructure - Sanitation                     |          |                |                |                |                |                |                |                |                |                |
| Infrastructure - Other                          |          | 99 824         | 179 152        | 169 712        | 99 636         | 99 636         | 99 636         | 188 944        | 197 944        | 204 507        |
| Infrastructure                                  |          | 277 421        | 271 535        | 279 310        | 370 912        | 372 412        | 372 412        | 321 163        | 319 654        | 334 583        |
| Community                                       |          | 250            | 145            | 120            |                |                |                | 124            | 132            | 137            |
| Heritage assets                                 |          |                | 216            | 216            |                |                |                |                |                |                |
| Investment properties                           |          | 3 255          | 3 680          | 4 184          | 3 250          | 3 250          | 3 250          | 4 184          | 4 443          | 4 705          |
| Other assets                                    |          | 11 103         | 7 307          | 9 485          | 11 500         | 11 500         | 11 500         | 16 706         | 21 991         | 26 970         |
| Agricultural Assets                             |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Biological assets                               |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Intangibles                                     |          | 28             | 378            | 773            | 377            | 377            | 377            | 740            | 707            | 673            |
| <b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b> | <b>5</b> | <b>292 057</b> | <b>283 261</b> | <b>294 088</b> | <b>386 039</b> | <b>387 539</b> | <b>387 539</b> | <b>342 916</b> | <b>346 927</b> | <b>367 068</b> |
| <b>EXPENDITURE OTHER ITEMS</b>                  |          |                |                |                |                |                |                |                |                |                |
| <b>Depreciation &amp; asset impairment</b>      |          | 24 060         | 28 284         | 28 846         | 33 000         | 29 000         | 29 000         | 33 080         | 35 131         | 37 204         |
| <b>Repairs and Maintenance by Asset Class</b>   | <b>3</b> | 1 271          | 1 297          | 1 703          | 2 710          | 2 147          | 2 147          | 2 280          | 2 421          | 2 564          |
| Infrastructure - Road transport                 |          | 273            | 145            | 202            | 600            | 400            | 400            | 500            | 531            | 562            |
| Infrastructure - Electricity                    |          | 49             | 225            | 54             | 500            | 55             | 55             | 200            | 212            | 225            |
| Infrastructure - Water                          |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Infrastructure - Sanitation                     |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |
| Infrastructure - Other                          |          | –              | –              | –              | –              | –              | –              | –              | –              | –              |



|   |         |               |               |               |               |               |               |               |               |               |
|---|---------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Infrastructure  |         | 321           | 370           | 255           | 1 100         | 455           | 455           | 700           | 743           | 787           |
| Community   |         | 66            | 50            | 483           | 160           | 585           | 585           | 580           | 616           | 652           |
| Heritage assets                                       |         | –             | –             | –             | –             | –             | –             | –             | –             | –             |
| Investment properties                                 |         | –             | –             | –             | –             | –             | –             | –             | –             | –             |
| Other assets  | 6,<br>7 | 883           | 876           | 965           | 1 450         | 1 106         | 1 106         | 1 000         | 1 062         | 1 125         |
| <b>TOTAL EXPENDITURE OTHER ITEMS</b>                  |         | <b>25 331</b> | <b>29 581</b> | <b>30 550</b> | <b>35 710</b> | <b>31 147</b> | <b>31 147</b> | <b>35 360</b> | <b>37 553</b> | <b>39 768</b> |
| <i>Renewal of Existing Assets as % of total capex</i> |         | 14,2%         | 7,3%          | 4,5%          | 5,4%          | 10,1%         | 10,1%         | 7,6%          | 5,0%          | 4,1%          |
| <i>Renewal of Existing Assets as % of deprecn"</i>    |         | 20,4%         | 5,9%          | 6,2%          | 10,6%         | 29,3%         | 29,3%         | 18,7%         | 8,5%          | 5,4%          |
| <i>R&amp;M as a % of PPE</i>                          |         | 0,4%          | 0,5%          | 0,6%          | 0,7%          | 0,6%          | 0,6%          | 0,7%          | 0,7%          | 0,7%          |
| <i>Renewal and R&amp;M as a % of PPE</i>              |         | 2,0%          | 1,0%          | 1,0%          | 2,0%          | 3,0%          | 3,0%          | 2,0%          | 2,0%          | 1,0%          |

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Repairs and maintenance for Maruleng Municipality is mostly done using internal capacity.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance backlog.



- **Table 19 - Basic Service Delivery Measurement (Refer to annexure)**  
**Explanatory notes to Table A10 - Basic Service Delivery Measurement (see attached document)**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## Background

Section 152 subsection c of Act 108 of 1996 indicates that municipalities must “ensure the provision of services to communities in a sustainable manner”. The success of local economic development is tied to the provision of basic and other types of infrastructure to the people. All services under analysis in this section are located in a specific locality (as per SDF) and have potential to boost socio-economic development. Infrastructure analysis focuses on the status quo regarding water supply, sanitation facilities, energy and housing provision, roads and public transport, waste management and telecommunications – all of which underpins socio-economic development and determines people’s quality of life. The provision of adequate municipal infrastructure remains a challenge throughout the municipality.

### 1.1. Water and Sanitation Provision

Mopani District Municipality is the Water Service Authority (WSA) and the municipality is the Water Service Provider (WSA). Mopani district municipality is responsible for bulk water supply and sanitation infrastructure. The municipality provides these services in terms of the service level agreement it has with the district municipality.

### 1.2. Water Analysis

The Maruleng Municipality is characterized by low rainfall. This results in limited water resources culminating in severe water shortages and drought condition. There is stiff competition amongst different water users. Water for domestic purpose becomes crucial.

However, great strides have been made in providing water in the municipality. About 16 662 households which amount to 68% of the population have access to water in terms of RDP standard. However, it must be noted that only 6.8% of the population have access to portable water.

Table 10: depicts access of water in terms of distance

| TYPE  | NUMBER OF HOUSEHOLDS |
|---|----------------------|
| Piped (tap) water inside dwelling   | 2 669                |
| Piped (tap) water inside yard   | 9006                 |
| Piped (tap) water on communal stand: distance less than 200m from dwelling        | 4 987                |
| Piped (tap) water on communal stand: distance between 200m and 500m from dwelling | 2 088                |
| Piped (tap) water on communal stand :between 500m and 1000m (1km) from dwelling   | 1 067                |
| Piped (tap) water on communal stand: distance greater than 1km from dwelling      | 285                  |
| No access to piped (tap) water  | 4368                 |

(Source: census 2011)

#### 1.4. Water Sources

The Mametja-Sekororo Regional Water Scheme that will supply the entire municipality will rely on the Blyde River which as enough water as water source. Most of our villages rely on poorly surveyed ground water. Most of the boreholes are often not well maintained. Villages that are under the mountains rely on water from the mountains. Other villages rely on the water supply by the municipality through water tankers.

| SOURCE   | NUMBER OF HOUSEHOLDS |
|--|----------------------|
| Regional/local water scheme (operated by the municipality or other water service provider) | 8209                 |
| Borehole   | 4 427                |
| Spring   | 223                  |
| Rain water tank  | 211                  |
| Dam/pool/stagnant water  | 2 777                |
| River/stream   | 6 924                |
| Water vendor   | 881                  |

(Source: census 2011)

#### 1.5. Sanitation

The municipality through Mopani District Municipality has made a major stride regarding provision of sanitation. About 22 983 households which account to 93.9 of the population have access to basic sanitation..

Table 11: depicts percentage distribution of households by type of toilet facility as of 2011.

| Type of toilet facility         | Census 2001 | Census 2011 |
|---------------------------------|-------------|-------------|
| Flush toilet(sewerage system)   | 8.8         | 2001        |
| Flush toilet (septic tank)      | 2.9         | 1088        |
| Chemical toilet                 | 1.1         | 102         |
| Pit latrine with ventilation    | 8.3         | 7 335       |
| Pit latrine without ventilation | 40.8        | 12 240      |
| None                            | 38,2        | 1 487       |
| Total                           | 100         | 100         |

Census 2011

### **1.6. Water and sanitation backlog**

Water backlog in terms the RDP standard is at 7 808 households (32%) while sanitation is about 1 487 (6.1%) households

#### **1.6.1. Water and sanitation challenges**

- The main challenge is bulk water supply but Mopani District Municipality which is the WSA is currently constructing water purification plant in The Oaks which will cater almost all villages and major developments
- Ageing water and sanitation infrastructure (Hoedspruit and Kampersus)
- Over-reliance on boreholes
- Illegal connections, theft and vandalism
- Inadequate funding
- Water rights and allocation
- Quality of drinking water

#### **1.6.2. Free Basic Water and Free Basic Sanitation**

The municipality gives 6KL of free basic water to all household with piped water.

#### **Free Basic Services**

| SERVICE        | NO. INDIGENT HOUSEHOLDS | ACCESS | BACKLOG |
|----------------|-------------------------|--------|---------|
| Water          | 3700                    | 2 405  | 1 295   |
| Sanitation     | 3700                    | 3 213  | 1 487   |
| Electricity    | 3700                    | 1 739  | 1 961   |
| Refuse Removal | 3700                    | 0      | 3 700   |

#### **1.6.2.1. Energy and Electricity.**

Energy distribution has important economic developmental implications with a potential to make considerable impact. This impact relates to improved living conditions, increased productivity and greater sustainability of the environment. In the municipality electricity is largely generated by

Eskom. The provision of electricity to house has been achieved to the larger extent. About 22 167 households have access to electricity which amount to 90.5% of the population. All villages are electrified except post connections and new extensions. The backlog is about 2 303 (9.5%) households. However, ESKOM is currently completing 511 units and the municipality is electrifying 400 units through INEP grant.

Table 12: depicts: Electricity Usage

| Usage    | No. Households |
|----------|----------------|
| Cooking  | 7 299          |
| Heating  | 6 431          |
| Lighting | 22 166         |

(Census 2011)

In the mean electricity is used for lighting. About 16 575 (67.7%) households use wood for cooking. The usage of wood as a source of energy is a worrying factor as it is harmful to the environment. The Municipality and the Department of Environmental Affairs need to conduct educational awareness campaigns against this practice.

#### **1.6.2.2. Free Basic Electricity**

The municipality has budget R 940 k for the provision of FBE to its 3700 indigent households. Only 1739 indigent households have access to free basic electricity due to the snail-pace of ESKOM in configuration of the register. However, the municipality is currently the indigent register

The municipality has an adopted indigent policy and register. This register facilitates the provision of free basic services. The municipality has budgeted R940k for free basic services for the year 2016/17. The updated indigent register has about 3700 households as beneficiaries.

#### **1.6.2.3. Waste Management**

The municipality provides waste collection services in three urbanized areas: Hoedspruit, Kampersrus for a total of 1666 households and it accounts to about 6.8% of households. In both commercial and residential areas collection takes place once a week. No refuse removal is provided to the 33 villages. These households rely mostly on backyard dumping and burning. Maruleng has outsourced collection and transportation. The municipality is planning to roll-out waste collections to all villages.

The municipality has one licensed landfill site in Worcester area.

Table 15: depicts percentage distribution of households by type of refuse disposal

| Type of refuse removal   | Census 2001 | Census 2011 |
|--|-------------|-------------|
| Removed by local municipality/private company at least once a week | -           | 1 434       |
| Removed by local municipality/private company less often           | -           | 232         |
| Communal refuse dump   | 275         | 250         |
| Own refuse dump  | 14 692      | 19 410      |

|                     |        |        |
|---------------------|--------|--------|
| No rubbish disposal | 3 678  | 2 828  |
| Other               | -      | 315    |
| Total               | 19 668 | 24 470 |

Census 2011

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The staff that are responsible for preparation of the budget are the Municipal manager, all directors and senior official of the municipality.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

#### **2.1.1 BUDGET PROCESS OVERVIEW**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 30 August 2015. Key dates applicable to the process were:

**Table below shows the phases/stages of the IDP process and activities entailed for the Review of 2015/16 IDP.**

#### **Institutional Arrangements to Drive IDP Process**

The following table portrays the structures/stakeholders, composition, and their roles and responsibilities in respect of the Integrated Development Planning Process in the Maruleng Local Municipality.

**TABLE 20: IDP Structures, roles and responsibilities**

| <b>STRUCTURE/STAKEHOLDER</b>      | <b>COMPOSITION</b>  | <b>ROLES AND RESPONSIBILITIES</b>  |
|-----------------------------------|---|--|
| Executive Committee               | Mayor, Portfolio chairpersons and members of the management Committee   | Mayor chairs IDP Forum meetings<br><br>EXCO decides on the Process Plan and makes recommendations to Council   |
| Council                           | All Councillors   | Approves the Process Plan and IDP  |
| Municipal Manager                 | Municipal Manager   | Oversees the whole process and takes responsibility therefore  |
| IDP/PMS Manager                   | IDP/PMS Manager   | Managing the IDP Process on a daily basis  |
| Secretariat                       | Provided by the office of the Municipal Manager   | Record proceedings at IDP meetings<br><br>Issue invites for all IDP meetings<br><br>Distribute minutes and reports to all stakeholders   |
| IDP Steering(Technical) Committee | Municipal Manager<br>IDP/PMS Manager<br>Section 57 Managers<br>Sectional Heads<br>Communication Officer   | Provide technical expertise and support<br><br>Ensure that the annual municipal budget and business plans are linked to and based on the ID  |
| IDP Representative Forum          | Mayor<br><br>Executive Committee Members<br><br>Councillors<br><br>IDP Steering Committee<br><br>Traditional Leaders<br><br>Ward Committees<br><br>Representative of Organised Groups<br><br>Sector Departments and | Represent interest of their constituents in the IDP process<br><br>Provide organizational mechanism for discussion, negotiation and decision making amongst stakeholders<br><br>Monitor the performance of the planning and implementation process |



|                                      |   |   |
|--------------------------------------|---|---|
|                                      | Parastatals<br>Mopani district municipality |   |
| Ward Councillors and Ward Committees | All Ward Councillors                        | Link the planning process to their wards<br><br>Assist in the organizing of public consultation and participation |

### **IDP Process Overview: Steps and Events**

The IDP Process Plan was approved by the Maruleng Municipal Council on 29 May 2015.

The activities that transpired during Maruleng Municipal IDP review are presented in Table 2:

### **Process Overview: steps and events**

| DATE                  | STRUCTURE   | PURPOSE/ACTIVITY                    |
|-----------------------|---|-------------------------------------|
| 27 May 2015           | IDP Steering Committee  | Development of the Process Plan     |
| 28 May 2015           | IDP Representative Forum  | Presentation of Process Plan        |
| 29 May 2015           | Council   | Adoption of the Process Plan        |
| 16 October 2015       | IDP Steering Committee  | Preparation of the Analysis Phase   |
| 19 October 2015       | IDP Representative Forum  | Presentation of the Analysis Phase  |
| 11 December 2015      | Council   | Adoption of the Analysis Phase      |
| 18-20th November 2015 | Councillors, Management, Sectional Heads, Mopani District Municipality, Sector Departments, OTP and Traditional Leaders | Strategic Planning Session          |
| 21 January 2016       | IDP Representative Forum  | Strategy Phase                      |
| 25 January 2016       | Council   | Adoption of Strategy Phase          |
| 22 March 2016         | IDP Representative Forum  | Project Phase                       |
| 23 March 2016         | Council   | Adoption of Draft IDP and Budget    |
| 14-21 April 2016      | Community Members   | IDP/Budget/PMS Public Participation |
|                       | IDP Representative Forum  | Final IDP/Budget                    |

|               |         |  |
|---------------|---------|--|
| 29 April 2016 | Council | Adoption of IDP/Budget and PMS Framework |
|---------------|---------|--|

### **Basis for IDP Review Process**

The preparation and review of the IDP is a continuous process providing a framework for all development planning in the municipality. As such the IDP is not only annually assessed in terms of delivery and the prevailing conditions in the municipality, but also improved upon each and every year. The following aspects informed the 2016/2021 IDP Review process:

- Updating baseline information to ensure sound decision-making in addressing service delivery gaps; Meeting the national targets in terms of service provisioning;
- National Development Plan (government blue print)
- Responding to key issues raised in the 2015 State of the Nation and Provincial Addresses focusing on “job creation through massive infrastructure development”.
- Aligning Sector Departments’ strategic plans to the municipality service delivery programmes;
- Strengthening focused Community and stakeholder participation in the IDP processes;
- Meeting targets in terms of the KPAs of the local government strategic agenda;
- Responding to the Community priorities for 2016/17.
- Responding to issues raised during the municipality Assessment (SWOT);
- Updating and developing pending sector plans and programmes of the IDP
- Revising the vision, mission, objectives, strategies, programmes and projects; and
- National Key Priority Areas and the National Outcomes

## **2.2 OVERVIEW OF THE ALIGNMENT OF ANNUAL BUDGET WITH IDP**

### **2.2.1 PUBLIC PARTICIPATION**

One of the main features about the integrated development planning process is the involvement of community and stakeholder organizations in the process. Participation of the affected and interested parties ensures that the IDP addresses the real issues that are experienced by the citizens of the municipality. The municipality will therefore:

- Conduct stakeholder identification exercise
- Ensure that the IDP representative Forum is the core structure that will provide direct representation of stakeholders in driving the IDP process

- Ensure that every phase of the planning process should allow public debates, recommendations and/or decisions that will guide the Council in its independent decision-making platform
- Arrange IDP meetings at a convenient venue and time
- Ensure participation of marginalized groupings

### **2.2.2 MONITORING AND EVALUATION OF THE PROCESS PLAN**

Maruleng Local Municipality will be responsible for monitoring its own IDP/Budget Process Plan and ensure that is being followed as approved. The municipal IDP office must check and report compliance to intergovernmental structures and the District municipality for support interventions. This process will also be linked to the SDBIP reporting cycle as adopted by the Mayor.

### **2.3 COMMUNITY CONSULTATION**

The draft Annual IDP/Budget 2016/17 MTREF as tabled before Council on 23 March 2016 for community consultation was published on the municipality's website, and hard copies were made available municipal notice boards, local shops and various libraries. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the local newspaper and the municipal 's website. The public participation will be held on the 14 to 21 April 2016 for the community inputs and comments.

#### **2016/17 Draft IDP Public Participation Meetings Community Inputs**

| <b>Date</b>   | <b>Venue</b> | <b>Inputs</b>   |
|---------------|--------------|---|
| 14 April 2016 | Calias       | The municipality was met with civil unrest.   |
|               | Lorraine     | <ul style="list-style-type: none"> <li>• Lorraine- Belville road always budgeted for but never implemented</li> <li>• Request for an increase in the number of drums filled by water tanker for funerals</li> <li>• Municipality was requested to recognize and support sporting activities</li> <li>• Request for a Community Hall in Lorraine</li> <li>• Kanana- Mahlomelong Road always appearing in the IDP but never implemented</li> <li>• Starting time of IDP/Budget Public Participation is not considerate to working individuals</li> <li>• The budget should be divided per ward</li> </ul> |

|               |          |  |
|---------------|----------|--|
| 18 April 2016 | Madeira  | <p>The Community requested for:</p> <ul style="list-style-type: none"> <li>• Madiera Road be tarred/paved</li> <li>• Community hall to be built at Sofaya</li> <li>• Clarification on what informed technical services to use paving instead of tar</li> <li>• Speed humps on access roads</li> <li>• Need for Low level bridge</li> <li>• RDP Housing</li> </ul>  |
| 19 April 2016 | Bismark  | <p>The Community requested for:</p> <ul style="list-style-type: none"> <li>• Maintenance of Tickyline road</li> <li>• Community hall</li> <li>• RDP houses</li> <li>• Water tanker to funerals to stop coming half full</li> <li>• Toilets in Bismark</li> <li>• Fair allocation of resources prioritizing the poor</li> <li>• Low level bridge that is cracked be maintained</li> <li>• a second low level bridge</li> <li>• grading of road to new stands at Bismark</li> </ul>  |
| 20 April 2016 | Makguang | <p>The Community requested for:</p> <ul style="list-style-type: none"> <li>• The access road appearing on IDP let it be the road that goes up to the mountain</li> <li>• Fencing of cemeteries</li> <li>• new cemetery because cemetery is fully utilised</li> <li>• Apollo Lights</li> <li>• Starting time of IDP/Budget Public Participation to be considerate to working individuals</li> <li>• Clarification on why Turkey Community Hall at a standstill despite the employment of workers. Further requested that Council looks into the matter and project is speedily resumed</li> <li>• The jobs the municipality said are going to be created to be permanent</li> <li>• The municipality to support and promote indigenous games</li> <li>• An explanation ; why are Municipal Offices in Hoedspruit and not in Sekororo</li> <li>• Waste removal to be done for schools and crèches</li> <li>• Skills development of traditional Authorities</li> <li>• The development of better communication mechanisms between the Municipality and the community</li> <li>• a Mall</li> </ul> |
| 21 April 2016 | Sedawa   | <p>The Community requested for:</p> <ul style="list-style-type: none"> <li>• Four JoJo tanks</li> <li>• RDP houses</li> <li>• Low level bridges (sedawa and Santeng)</li> </ul>  |

|               |            |   |
|---------------|------------|---|
|               |            | <ul style="list-style-type: none"> <li>• Completion of semi constructed RDP houses</li> <li>• Increase water provision for funerals</li> <li>• Increase EPWP Salaries</li> <li>• Fencing of cemetery in Molalane</li> <li>• Low level bridge between Santeng and Molalane</li> <li>• site demarcation at the Willows</li> <li>• Mabins Cross road to Mametja</li> <li>• The increase of the Disability Budget</li> <li>• Apollo Lights</li> <li>• a Mall</li> <li>• electrification of more households</li> <li>• community to be called when contractor finishes project to verify if everything has been done</li> </ul>  |
| 21 April 2016 | Hoedspruit | <p>The Community requested for:</p> <ul style="list-style-type: none"> <li>• The Maintenance of roads in Kampersrus</li> <li>• Municipality to acquire land for development</li> <li>• Council to consider budgeting some money to help Hlokomela Project</li> <li>• Development and implementation of noise policy</li> </ul>  |
| 22 April 2016 | Finale     | <p>The Community requested for:</p> <ul style="list-style-type: none"> <li>• Municipality should prioritise youth education</li> <li>• Need for a Sports center to reduce crime and encourage sports participation</li> <li>• Programmes to improve matric pass rate</li> <li>• Need for FET collage</li> <li>• Street Lights</li> <li>• Community Hall</li> <li>• RDP Housing</li> <li>• The Oaks and Finale Road to be extended to 2,2 km</li> <li>• Hire local ward people</li> <li>• Market Stalls Budget be taken from Hoedspruit and used to develop the village</li> <li>• Implementation of The Oaks internal streets project because it has been reappearing in the Budget over the years never implemented</li> </ul> |

## Water

- Water shortage was the most critical need expressed by the community in the public participations

- All areas visited expressed the need for Bulk water supply in the near future; purchasing and maintenance of water pumps and other equipment to support water provision in the villages in the immediate future.

#### **Health**

- The need for clinics (Sedawa, Lorraine, Molalane )
- Higher presence/ frequency of mobile clinic visits
- Extended operating hours of the Oaks Clinic

#### **Education**

- The maintenance of schools
- Construction of class rooms
- Need for high school at Molalane and Sedawa
- Accessibility of schools for the disabled
- Provision of special school for the disabled

#### **Social services**

- Food Parcels to poor families

#### **Buses**

- Sedawa requested for a bus route nearer to them

#### **Policing**

- The community called for an increase in the number of satellite police station in sekororo

The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

**Table 21 Reconciliation of IDP strategic objectives and budget (revenue)**

| Strategic Objective                                     | Goal   | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand  |  |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Municipal Transformation and organisational development | Create and informed community and Develop and retain skilled and capacitated workforce             | 16 222          | 15 672          | 20 605          | 75                   | 75              | 75                 | 53  | 56                     | 60                     |
| Basic Service delivery                                  | Improve community wellbeing and resource manage infrastructure and service for access and mobility | 38 107          | 43 580          | 37 202          | 33 666               | 43 166          | 43 166             | 47 918  | 27 377                 | 28 763                 |
| LED   | Grow the economy and halve unemployment and develop partnership                                    | 1 738           | 1 158           | 1 959           | 1 038                | 1 038           | 1 038              | 1 000   | –                      |                        |
| Municipal Financial Viability and Management            | Become financially viable  | 55 247          | 49 191          | 94 417          | 128 847              | 131 911         | 131 911            | 142 630   | 148 418                | 156 819                |
| Good Governance and Public Participation                | Effective and efficient organisation   | 1 071           | 9 709           | 934             | 4 024                | 4 024           | 4 024              | 635   | 675                    | 714                    |
| Allocations to other priorities                         |  |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Gains on disposal of PPE                                |  | 112 386         | 119 308         | 155 117         | 167 649              | 180 214         | 180 214            | 192 236   | 176 526                | 186 356                |

**Table 22: Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

| Strategic Objective<br><br>R thousand                   | Goal   | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| Municipal Transformation and organisational development | Create,inform community and Develop retain skilled capacitated workforce                           | 1 987           | 53 457          | 1 829           | 2 730                | 2 730           | 2 730              | 7 788   | 8 271                  | 8 759                  |
| Basic Service delivery                                  | Improve community wellbeing and resource manage infrastructure and service for access and mobility | 21 636          | 17 044          | 13 473          | 16 497               | 16 497          | 16 497             | 10 524  | 11 177                 | 11 836                 |
| LED   | Grow the economy and halve unemployment and develop partnership                                    | 840             | 1 000           | 16 475          | 5 135                | 5 135           | 5 135              | 2 459   | 2 611                  | 2 765                  |
| Municipal Financial Vialibility and Management          | Become financially viable  | 84 245          | 31 057          | 109 934         | 105 544              | 109 023         | 109 023            | 120 306   | 125 995                | 133 982                |
| Good Governance and Public Participation                | Effective and efficient organisation   | 3 024           | 6 556           | 1 585           | 7 765                | 7 765           | 7 765              | 7 226   | 7 507                  | 7 950                  |
| Loss on disposal of PPE                                 |  | 111 732         | 109 114         | 143 295         | 137 671              | 141 150         | 141 150            | 148 303   | 155 562                | 1615 293               |



**Table 23 Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

| Strategic Objective                                     | Goal   | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand  |  |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Municipal Transformation and organisational development | Create,inform community and Develop retain skilled capacitated workforce                           | 152             | 6 085           | 2 100           | 110                  | 110             | 110                | 3 000   | 3 200                  | 3 300                  |
| Basic Service delivery                                  | Improve community wellbeing and resource manage infrastructure and service for access and mobility | 29 325          | 11 556          | 30 365          | 51 172               | 70 336          | 70 336             | 71 415  | 51 002                 | 40 049                 |
| LED   | Grow the economy and halve unemployment and develop partnership                                    |                 | 850             | 400             | 7 000                | 7 000           | 7 000              | 1 000   | –                      |                        |
| Municipal Financial Vialibility and Management          | Become financially viable  | 3 540           | 2 833           | 5 821           | 4 460                | 4 460           | 4 460              | 5 616   | 5 285                  | 4 979                  |
| Good Governance and Public Participation                | Effective and efficient organisation   | 1 667           | 1 297           | 1 435           | 2 120                | 2 120           | 2 120              | 635   | 675                    | 714                    |
| Total Capital Expenditure                               |  | 34 685          | 22 622          | 40 121          | 64 862               | 84 026          | 84 026             | 81 666  | 60 162                 | 49 042                 |

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

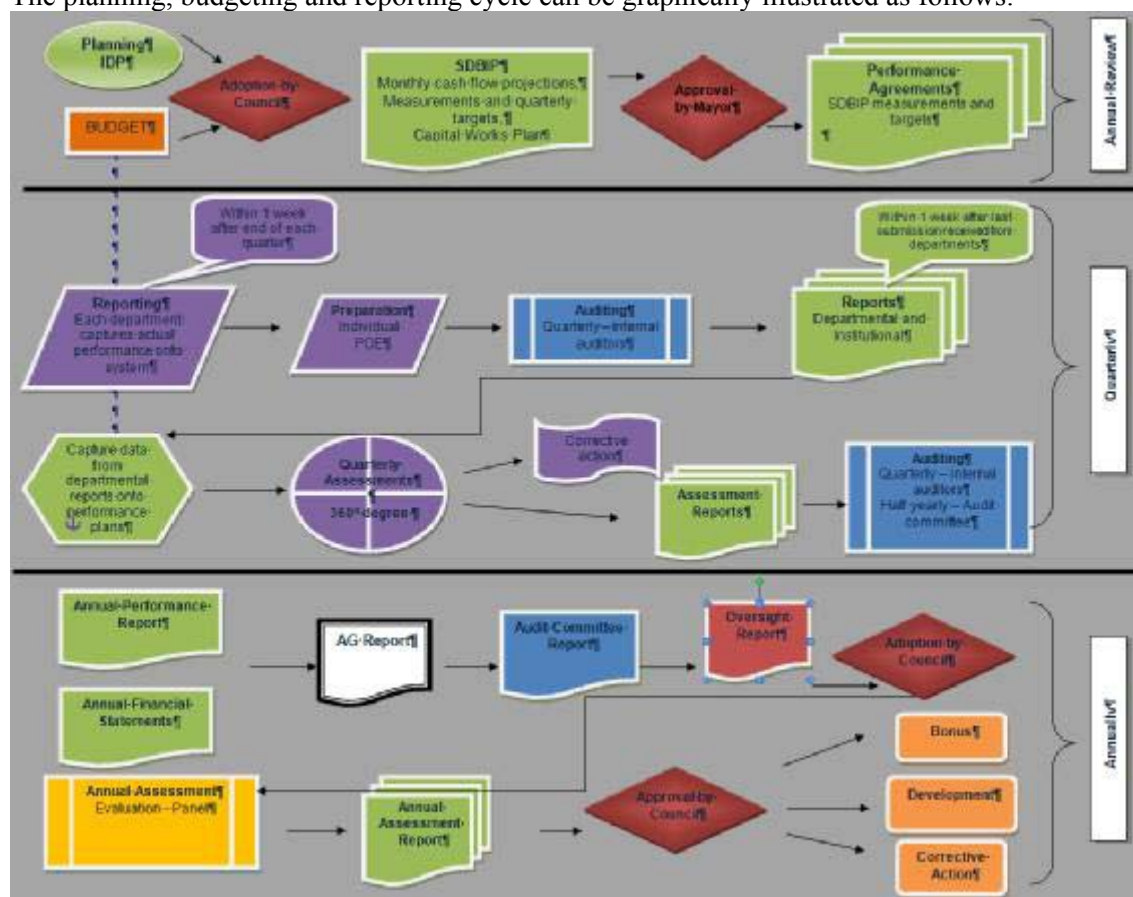
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance

information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

Reporting in the monitoring process also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:



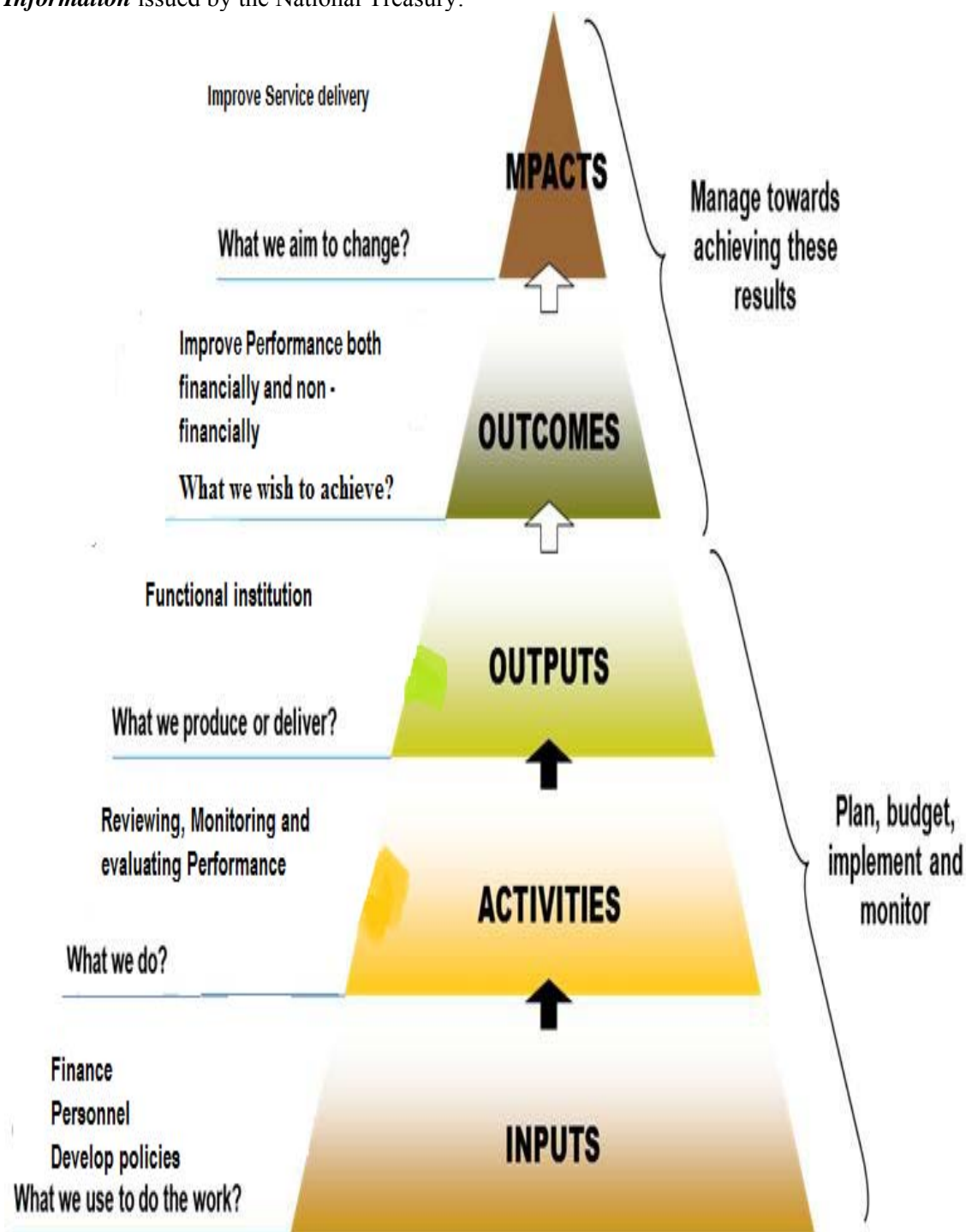
**Figure 5 Planning, budgeting and reporting cycle**

Monitoring is the regular observation and recording of activities taking place in a project or programme. Relevant data is gathered in an efficient and timely manner and in sufficient quantities to provide meaningful results after which it is processed to identify and categorize factors relevant to specific concerns. In monitoring, data should be analysed and the results displayed so that personnel can take appropriate actions.

Monitoring which involves a process of routinely gathering information on all aspects of the objective, programme or project has been operationalised within the Maruleng Local Municipality by making use of the SDBIP reporting to monitor quarterly progress towards targets as set out. Cascading the SDBIP further down to the departmental/sectional level will help Maruleng Local Municipality to review performance quarterly and be able to take necessary steps to improve performance where performance targets are not met.

Assessment is a process of measuring or quantifying the level of attainment or competence within a specified domain whereby scores are attached to see how well the theme, objective, programmes or projects have been achieved. On the other hand evaluation is determining of value, or the measurement of value added. The municipality needs to determine whether, or not, the programme or project adds value or is contributing to the organisation's strategy.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the *Framework of Managing Programme Performance Information* issued by the National Treasury:



**Figure 6 Definition of performance information concept**

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

**Table 24: MBRR Table SA7 Measureable performance objectives**

| Description                                | Unit of measurement | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|---------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |                     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| Public works: Roads and Stormwater         | Kilometer           | 4,0%            | 6,0%            | 30,0%           | 30,0%                | 30,0%           | 30,0%              | 30,0%   | 29,8%                  | 30,0%                  |
| Function - Roads                           |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function- Eradication of baglogs       |                     | 0,0%            | 4,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%  | 0,0%                   | 0,0%                   |
| <i>Reduce roads backlogs</i>               |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function - Roads maintained            |                     | 6,0%            | 6,0%            | 30,0%           | 30,0%                | 30,0%           | 30,0%              | 30,0%   | 32,0%                  | 33,0%                  |
| surfaced roads resurfaced/ rehabilitation  | Kilometer           |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Sub-function - Roads for growth</i>     | Kilometer           |                 |                 |                 |                      |                 |                    |   |                        |                        |
| New roads to be constructed                |                     | 5,0%            | 1,0%            | 2,0%            | 2,0%                 | 2,0%            | 2,0%               | 2,0%  | 1,8%                   | 2,0%                   |
| Function - Stormwater                      | Kilometer           |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Sub-function - Reduction of backlog</i> |                     | 21,0%           | 2,0%            | 2,0%            | 2,0%                 | 2,0%            | 3,0%               | 4,0%  | 3,0%                   | 3,5%                   |
| stormwater drainage to reduce backlogs     |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function - Stormwater for growth       |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |

|  |           |      |      |      |      |      |      |      |      |      |
|--|-----------|------|------|------|------|------|------|------|------|------|
| Stormwater drainage to stimulate growth        | Kilometer |      |      |      |      |      |      |      |      |      |
|  |           | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Public Works: water and sanitation             |           |      |      |      |      |      |      |      |      |      |
| Function - water                               |           | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Sub-function - Eradication of water backlogs   |           | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
|  | Number    |      |      |      |      |      |      |      |      | 0,0% |
| Households provided with a water connection    |           |      |      |      |      |      |      |      |      |      |
| new bulk water pipeline                        | Meter     | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| New Internal water pipelines                   | Meter     |      |      |      |      |      |      |      |      |      |
|  |           |      |      |      |      |      |      |      |      |      |
| Function - Maintance of water infrastructure   |           |      |      |      |      |      |      |      |      |      |
| upgrade and replace of internal water pipeline | Meter     |      |      |      |      |      |      |      |      |      |
| upgrade and replace of internal water pipeline |           | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Function- Saniation                            |           |      |      |      |      |      |      |      |      |      |

|  |        |      |      |      |      |      |      |      |      |      |
|--|--------|------|------|------|------|------|------|------|------|------|
| Sub-function-<br>Eradication of<br>sanitation backlogs         |        | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| <i>household provided<br/>with a sanitation<br/>connection</i> | Number |      |      |      |      |      |      |      |      |      |
| New bulk sewer<br>pipelines                                    | Meter  |      |      |      |      |      |      |      |      |      |

The following table sets out the municipalities main performance objectives and benchmarks for the 2016/17 MTREF.

**Table 25: MBRR Table SA8 Performance indicators and benchmarks**

| Description of financial indicator   | Basis of calculation   | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b><u>Borrowing Management</u></b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Credit Rating  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital Charges to Operating Expenditure                                       | Interest & Principal Paid /Operating Expenditure                           | 0,1%            | 0,1%            | 0,0%            | 0,2%                 | 0,0%            | 0,0%               | 0,0%              | 0,1%  | 0,1%                   | 0,1%                   |
| Capital Charges to Own Revenue   | Finance charges & Repayment of borrowing /Own Revenue                      | 0,3%            | 0,4%            | 0,0%            | 0,6%                 | 0,2%            | 0,2%               | 0,0%              | 0,1%  | 0,2%                   | 0,2%                   |
| Borrowed funding of 'own' capital expenditure                                  | Borrowing/Capital expenditure excl. transfers and grants and contributions | 0,0%            | -4,1%           | -3,4%           | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| <b><u>Safety of Capital</u></b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Gearing  | Long Term Borrowing/ Funds & Reserves                                      | 0,0%            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| <b><u>Liquidity</u></b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Current Ratio  | Current assets/current liabilities   | 3,2             | 3,9             | 4,1             | 7,5                  | 7,5             | 7,5                | –                 | 4,8   | 8,3                    | 12,0                   |
| Current Ratio adjusted for aged debtors  | Current assets less debtors > 90 days/current liabilities                  | 3,2             | 3,9             | 4,1             | 7,5                  | 7,5             | 7,5                | –                 | 4,8   | 8,3                    | 12,0                   |
| Liquidity Ratio  | Monetary Assets/Current Liabilities  | 2,0             | 2,5             | 3,4             | 4,0                  | 4,0             | 4,0                | –                 | 3,8   | 6,8                    | 10,7                   |
| <b><u>Revenue Management</u></b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Annual Debtors Collection Rate (Payment Level %)                               | Last 12 Mths Receipts/Last 12 Mths Billing                                 |                 | 100,0%          | 86,3%           | 70,3%                | 162,3%          | 100,0%             | 100,0%            | 0,0%  | 91,1%                  | 93,8%                  |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue) |  | 100,0%          | 86,3%           | 70,3%           | 162,3%               | 100,0%          | 100,0%             | 0,0%              | 91,1%   | 93,8%                  | 91,1%                  |
| Outstanding Debtors to Revenue   | Total Outstanding Debtors to Annual Revenue                                | 21,9%           | 26,2%           | 9,6%            | 30,0%                | 26,7%           | 26,7%              | 0,0%              | 11,1%   | 9,2%                   | 6,2%                   |
| Longstanding Debtors Recovered   | Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old                  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b><u>Creditors Management</u></b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |

|  |   |        |        |       |        |        |        |      |       |       |       |
|--|---|--------|--------|-------|--------|--------|--------|------|-------|-------|-------|
| Creditors System Efficiency                          | % of Creditors Paid Within Terms (within 'MFMA' s 65(e))                                      |        |        |       |        |        |        |      |       |       |       |
| Creditors to Cash and Investments                    |   | 35,8%  | 8,0%   | 14,5% | 27,8%  | 59,6%  | 59,6%  | 0,0% | 90,9% | 64,6% | 20,2% |
| <u>Other Indicators</u>                              |   |        |        |       |        |        |        |      |       |       |       |
| Electricity Distribution Losses (2)                  | Total Volume Losses (kW)  |        |        |       |        |        |        |      |       |       |       |
|  | Total Cost of Losses (Rand '000)  | 0      | 0      | 0     | 0      | 0      | 0      | 0    | 0     | 0     | 0     |
|  | % Volume (units purchased and generated less units sold)/units purchased and generated        | -      | -      | -     | -      | -      | -      | -    | -     | -     | -     |
|  |   | -      | -      | -     | -      | -      | -      | -    | -     | -     | -     |
| Water Distribution Losses (2)                        | Total Volume Losses (kℓ)  |        |        |       |        |        |        |      |       |       |       |
|  | Total Cost of Losses (Rand '000)  | -      | -      | -     | -      | -      | -      | -    | -     | -     | -     |
|  | % Volume (units purchased and generated less units sold)/units purchased and generated        | 0      | 0      | 0     | 0      | 0      | 0      | 0    | 0     | 0     | 0     |
|  |   | -      | -      | -     | -      | -      | -      | -    | -     | -     | -     |
| Employee costs                                       | Employee costs/(Total Revenue - capital revenue)  | 39,5%  | 33,6%  | 32,3% | 36,0%  | 33,0%  | 33,0%  | 0,0% | 35,0% | 36,4% | 36,8% |
| Remuneration   | Total remuneration/(Total Revenue - capital revenue)  | 48,1%  | 42,0%  | 38,8% | 44,2%  | 39,5%  | 39,5%  |      | 41,8% | 43,2% | 43,6% |
| Repairs & Maintenance                                | R&M/(Total Revenue excluding capital revenue)   | 1,5%   | 1,4%   | 1,4%  | 2,1%   | 1,4%   | 1,4%   |      | 1,6%  | 1,6%  | 1,6%  |
| Finance charges & Depreciation                       | FC&D/(Total Revenue - capital revenue)  | 28,4%  | 31,0%  | 24,0% | 25,2%  | 19,6%  | 19,6%  | 0,0% | 23,0% | 23,6% | 23,7% |
| <u>IDP regulation financial viability indicators</u> |   |        |        |       |        |        |        |      |       |       |       |
| i. Debt coverage                                     | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year) | 11,4   | 8,1    | 16,4  | 8,0    | 8,0    | 8,0    | -    | 10,5  | 9,8   | 10,4  |
| ii. O/S Service Debtors to Revenue                   | Total outstanding service debtors/annual revenue received for services                        | 132,1% | 155,2% | 35,2% | 185,1% | 123,9% | 123,9% | 0,0% | 46,4% | 37,4% | 24,9% |
| iii. Cost coverage                                   | (Available cash + Investments)/monthly fixed operational expenditure                          | 6,1    | 9,1    | 7,1   | 5,6    | 2,5    | 2,5    | -    | 1,4   | 1,0   | 2,1   |



### **2.3.1 Performance indicators and benchmarks**

#### **2.3.1.1 Borrowing Management**

- Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. Maruleng Municipality does not have long term borrowing.

#### **2.3.1.2 Safety of Capital**

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors and overdraft and tax provisions as a percentage of funds and reserves. The debt to equity ratio for the Municipality is 0%

#### **2.3.1.3 Liquidity**

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 2, hence at no point in time should this ratio be less than 2. For the 2016/17 MTREF the current ratio is 4;8 and 12;0 for the two outer years of the MTREF.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2016/17 financial year the ratio is 4;8 and 12;0 in the 2016/17 financial year. This shows that the municipality will be able to funds their projects and operating expenditure without borrowings.

#### **2.3.1.4 Revenue Management**

- As part of the financial sustainability strategy, an aggressive data cleansing and debt management strategy needs to been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

#### **2.3.1.5 Creditors Management**

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has

had a favorable impact on supplier's perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

#### *2.3.1.6 Other Indicators*

- The Municipality does not distribute electricity to the public the function is carried out by Eskom. Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily due to the increase in vacancy rate and budget for salary disparity.

#### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2016/17 financial year 2 669 registered indigents have been provided for in the budget , In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 6 kl sanitation and as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

#### **2.3.3 Providing clean water and managing waste water**

The Municipality is not the Water Services Authority for the municipality in terms of the Water Services Act, 1997 but only acts as water services provider. Approximately 100 per cent of the Municipality's bulk water needs are provided by Department of Public Work in the form of purified water.

## **2.4. OVERVIEW OF BUDGET RELATED-POLICIES**

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The Municipal Budget and Reporting Regulations, Regulation 7(1), stipulates that the municipal manager must prepare, or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 2(1)b of the MFMA.

The budget for the 206/17 MTREF period was adopted together with the following policies:

- 2.4.1. Credit control and debt collection procedures/policies
- 2.4.2. Inventory and Asset Management Policy
- 2.4.3. Budget Policy
- 2.4.4. Virement Policy
- 2.4.5. Supply Chain Management Policy
- 2.4.6. Cash Management and Investment Policy
- 2.4.7. Tariff Policies
- 2.4.8. Indigent Policy
- 2.4.9. Financial Delegations Framework Policy
- 2.4.10. Write off Policy
- 2.4.11. Property Rates Policy
- 2.4.12. Inventory Procedure Manual
- 2.4.13. Traveling and subsistence policy
- 2.4.14. Fleet Management policy
- 2.4.15. Banking and investment policy

## 2.5. OVERVIEW OF BUDGET ASSUMPTIONS

### 2.5.1 External factors

- Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The wage agreement SALGBC concluded by municipal unions. Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2015 to 30 June 2018. The agreement provides for a wage increase based on the average CPI for the period 1 July 2017 with an increase of 7 percent

### 2.5.3 Credit rating outlook

**Table 26: Credit rating outlook**

| Security class | Currency | Rating   | Previous Rating |
|----------------|----------|----------|-----------------|
| Short term     | Rand     | Prime -1 | Prime -1        |
| Long term      | Rand     | Aa3      | Aa3             |
| Outlook        | Rand     | Negative | Negative        |

The rating definitions are:

- Short term : Prime – 1
- Short-Term Debt Ratings (maturities of less than one year)
- Prime-1 (highest quality)
- Long-term : Aa3
- Defined as high-grade. “Aa” rated are judged to be of high quality and are subject to very low credit risk.

#### **2.5.4 Interest rates for borrowing and investment of funds**

- The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. The Municipality does not have long term loans.

#### **2.5.5 Collection rate for revenue services**

- The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.
- The rate of revenue collection is currently expressed as a percentage of annual billings. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. The municipality is depending more on grants.

#### **2.5.6 Growth or decline in tax base of the municipality**

- Debtor’s revenue is assumed to increase at a rate that is influenced by the consumer debtor’s collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.
- Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing “households” is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the “poor household limits consumption to the level of free basic service

#### **2.5.7 Salary increases**

- The South African Local Government Bargaining Council recently entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

### 2.5.8 Impact of national, provincial and local policies

- Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:
  - Creating jobs;
  - Enhancing education and skill development;
  - Improving Health services;
  - Rural development and agriculture; and
  - Fighting crime and corruption.
- To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### 2.5.9 Ability of the municipality to spend and deliver on the programmes

- It is estimated that a spending rate of at least 98 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2016/17 MTREF of which performance has been factored into the cash flow budget.

## 2.6 OVERVIEW OF BUDGET FUNDING

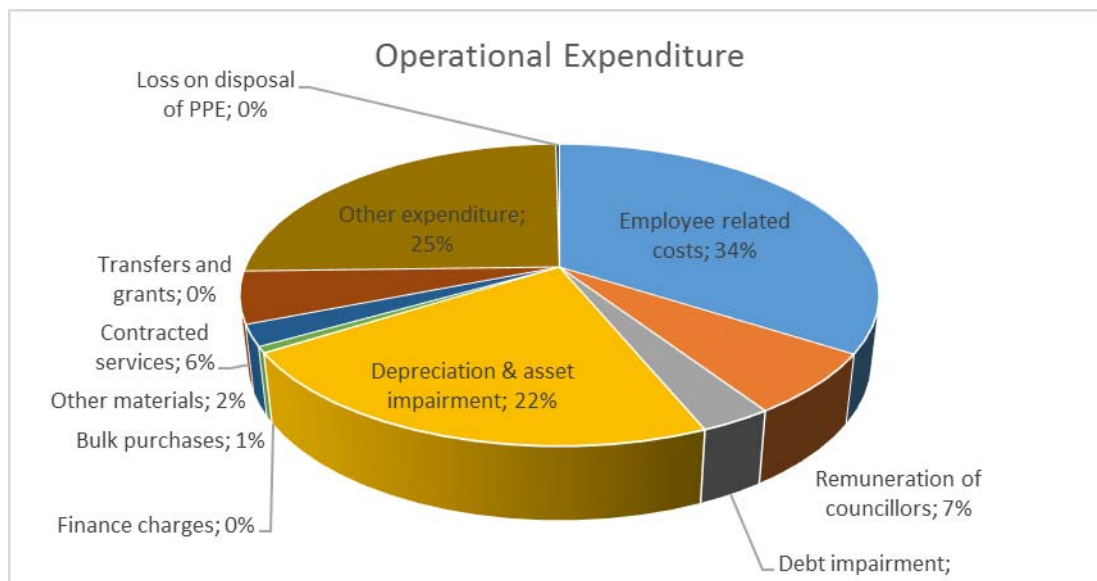
### 2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**TABLE 27- Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description<br>R thousand  | 2016/17 Medium Term Revenue & Expenditure Framework |             |                           |             |                           |             |
|--|---|-------------|---------------------------|-------------|---------------------------|-------------|
|  | Budget Year<br>2016/17                              | %           | Budget Year<br>+1 2017/18 | %           | Budget Year +2<br>2018/19 | %           |
| <b>Revenue By Source</b>   |   |             |                           |             |                           |             |
| Property rates   | 31 587  | 22%         | 33 546                    | 22%         | 35 525                    | 23%         |
| Service charges - refuse revenue                                     | 2 695   | 2%          | 2 862                     | 2%          | 3 031                     | 2%          |
| Rental of facilities and equipment                                   | 313   | 0%          | 332                       | 0%          | 352                       | 0%          |
| Interest earned - external investments                               | 4 485   | 3%          | 4 763                     | 3%          | 5 044                     | 3%          |
| Interest earned - outstanding debtors                                | 328   | 0%          | 348                       | 0%          | 369                       | 0%          |
| Fines  | 316   | 0%          | 336                       | 0%          | 355                       | 0%          |
| Licences and permits   | 3 034   | 2%          | 3 223                     | 2%          | 3 413                     | 2%          |
| Agency services  | 2 197   | 2%          | 2 333                     | 2%          | 2 470                     | 2%          |
| Transfers recognised - operational                                   | 94 154  | 65%         | 99 804                    | 67%         | 105 337                   | 67%         |
| Other revenue  | 1 509   | 1%          | 1 603                     | 1%          | 1 698                     | 1%          |
| Gains on disposal of PPE   | 3 700   | 3%          |                           | 0%          |                           | 0%          |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>144 318</b>                                      | <b>100%</b> | <b>149 149</b>            | <b>100%</b> | <b>157 593</b>            | <b>100%</b> |

**Table 28-The following graph is a breakdown of the operational revenue per main category for the 2016/17 financial year.**



**Figure 7 Breakdown of operating revenue over the 2016/17 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA),
- And the ability to extend new services and obtain cost recovery levels. The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

**The proposed tariff increases for the 2016/17 MTREF on the different revenue categories are:**

**Table 29- Proposed tariff increases over the medium-term**

| Revenue category | 2016/17 proposed tariff increase | 2017/18 proposed tariff increase | 2018/19 proposed tariff increase | 2013/14 Total Budgeted revenue |
|------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
|                  | %                                | %                                | %                                | %                              |
| Property rates   |                                  |                                  |                                  | 31 587 190                     |
| Solid waste      | 6.6                              | 6.2                              | 5.9                              | 2 694 675                      |
| Total            |                                  |                                  |                                  | 34 281 865                     |

Revenue to be generated from property rates is R31.5 million in the 2016/17 financial year and increases to R35.5 million by 2018/19 which represents 21.2 per cent of the total operating revenue base of the Municipality. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

As the levying of property rates is considered strategic revenue source supplementary valuation process are conducted twice in a year, during December and June of every financial year.

Services charges relating to refuse removal constitutes the second smallest component of the revenue basket of the Municipality totaling R2.6 million for the 2016/17 financial year and increasing to R2.8 and 3 million for the two outer periods. For the 2016/17 financial year services charges amount to 1.9 per cent of the total revenue base and grows to 3 million over the medium-term.

Operational grants and subsidies amount to R94.1 million, R99.8 million and R105.3 million for each of the respective financial years of the MTREF, or 67 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government decreasing from 104 to 94 million from 2015 and 2016 over the MTREF.

The tables below provide detail investment information and investment particulars by maturity.



**Table 30- MBRR – Detail Investment Information**

| Investment type<br><br>R thousand | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|-----------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|                                   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <u>Parent municipality</u>        |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Deposits - Bank                   | 25 974          | 42 584          | 51 466          | 42 000               | 42 000          | 42 000             | 52 000  | 55 000                 | 61 000                 |
| Municipality sub-total            | 25 974          | 42 584          | 51 466          | 42 000               | 42 000          | 42 000             | 52 000  | 55 000                 | 61 000                 |

**Table 31- MBRR – Investment particulars by maturity**

| Investments by Maturity<br><br>Name of institution & investment ID | Period of Investment | Type of Investment | Capital Guarantee (Yes/ No) | Variable or Fixed interest rate | Interest Rate 3. | Expiry date of investment | Opening balance | Interest to be realised | Closing Balance |
|--|----------------------|--------------------|-----------------------------|---------------------------------|------------------|---------------------------|-----------------|-------------------------|-----------------|
|  | Yrs/Months           |                    |                             |                                 |                  |                           |                 |                         |                 |
| <u>Parent municipality</u>   |                      |                    |                             |                                 |                  |                           |                 |                         |                 |
| Standard bank investment   | Months               | call deposit       | no                          | variable                        | 4,25             | 32 days                   | 25 181          | 1 593                   | 26 774          |
| Investec investmnet  | Months               | call deposit       | no                          | variable                        | 5,4              | day to day                | 24 003          | 1 223                   | 25 226          |
| Municipality sub-total   |                      |                    |                             |                                 |                  |                           | 49 184          |                         | 52 000          |
| TOTAL INVESTMENTS AND INTEREST                                     |                      |                    |                             |                                 |                  |                           | 49 184          |                         | 52 000          |

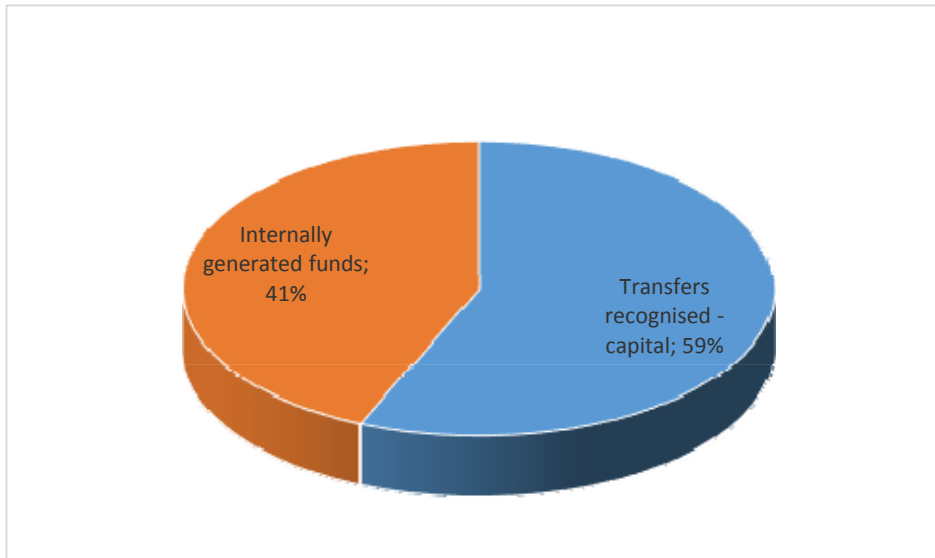
For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

### 2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

**Table 32- Sources of capital revenue over the MTREF**

| Vote Description<br><br>R thousand |                 |      | 2016/17 Medium Term Revenue & Expenditure Framework |      |                        |      |                        |      |
|------------------------------------|-----------------|------|---|------|------------------------|------|------------------------|------|
|                                    | Adjusted Budget | %    | Budget Year 2016/17                                 | %    | Budget Year +1 2017/18 | %    | Budget Year +2 2018/19 | %    |
| National Government                | 38 811          | 46%  | 47 918  | 59%  | 27 377                 | 46%  | 28 763                 | 59%  |
| Internally generated funds         | 45 215          | 54%  | 33 748  | 41%  | 32 785                 | 54%  | 20 279                 | 41%  |
| Total Capital Funding              | 84 026          | 100% | 81 666  | 100% | 60 162                 | 100% | 49 042                 | 100% |



**Figure 8 Sources of capital revenue for the 2016/17 financial year**

Capital grants and receipts equates to 59 per cent of the total funding source which represents R47.9 million for the 2016/17 financial year and steadily decreased to R28.7 million or 58.6 per cent 2015/16. Growth relating to internally generated funds receipts is 43, 23 and 14 per cent over the MTREF of capital expenditure for the year ending 2019.

**Table 33-MBRR Capital transfers and grant receipts**

| Description<br>R thousand                       | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| Total Operating Transfers and Grants            | 64 242          | 68 062          | 77 054          | 104 045              | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| Capital Transfers and Grants                    |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Municipal Infrastructure Grant (MIG)            | 27 421          | 27 869          | 25 309          | 25 830               | 31 811          | 31 811             | 47 919  | 27 377                 | 28 763                 |
| <b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b> | <b>91 662</b>   | <b>95 932</b>   | <b>102 363</b>  | <b>129 875</b>       | <b>136 411</b>  | <b>136 411</b>     | <b>142 073</b>                                      | <b>127 181</b>         | <b>134 100</b>         |

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from “Ratepayers and other to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue,

**Table 34- MBRR - Table A7 Budgeted Cash Flows**

| Description                                      | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand                                       | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>       |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Receipts   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Property rates, penalties & collection charges   | 11 306          | 12 594          | 22 383          | 30 966               | 29 367          | 29 367             | 29 087  | 31 846                 | 32 625                 |
| Service charges                                  | 2 548           | 481             | 483             | 3 277                | 2 300           | 2 300              | 2 145   | 2 312                  | 2 481                  |
| Other revenue                                    | 2 035           | 1 621           | 6 795           | 5 564                | 1 977           | 1 977              | 7 313   | 7 776                  | 8 238                  |
| Government - operating                           | 66 813          | 73 548          | 72 533          | 104 045              | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| Government - capital                             | 27 421          | 27 869          | 34 830          | 25 830               | 30 311          | 30 311             | 29 418  | 27 377                 | 28 763                 |
| Interest   | 1 247           | 1 816           | 2 882           | 2 659                | 4 595           | 4 595              | 4 485   | 4 763                  | 5 044                  |
| Payments   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Suppliers and employees                          | (71 152)        | (71 180)        | (85 403)        | (112 700)            | (108 380)       | (108 380)          | (109 014)   | (116 127)              | (123 531)              |
| Finance charges                                  | (65)            | (86)            | (8)             | (150)                | (70)            | (70)               | (74)  | (79)                   | (84)                   |
| Transfers and Grants                             |                 |                 |                 |                      |                 |                    | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b> | <b>40 152</b>   | <b>46 664</b>   | <b>54 495</b>   | <b>59 490</b>        | <b>64 701</b>   | <b>64 701</b>      | <b>53 514</b>                                       | <b>57 672</b>          | <b>58 873</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Receipts   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Proceeds on disposal of PPE                      |                 | (10 349)        |                 |                      |                 |                    | 3 700   | -                      | -                      |
| Capital assets                                   | (30 464)        | (22 492)        | (40 146)        | (56 477)             | (82 326)        | (82 326)           | (68 884)  | (60 162)               | (49 042)               |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b> | <b>(30 464)</b> | <b>(32 841)</b> | <b>(40 146)</b> | <b>(56 477)</b>      | <b>(82 326)</b> | <b>(82 326)</b>    | <b>(65 184)</b>                                     | <b>(60 162)</b>        | <b>(49 042)</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Receipts   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Borrowing long term/refinancing                  |                 | (256)           | (181)           |                      |                 |                    | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b> | <b>-</b>        | <b>(256)</b>    | <b>(181)</b>    | <b>-</b>             | <b>-</b>        | <b>-</b>           | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>      | <b>9 689</b>    | <b>13 566</b>   | <b>14 168</b>   | <b>3 014</b>         | <b>(17 625)</b> | <b>(17 625)</b>    | <b>(7 670)</b>                                      | <b>(2 490)</b>         | <b>9 831</b>           |
| Cash/cash equivalents at the year begin:         | 19 850          | 29 539          | 43 105          | 35 677               | 35 677          | 35 677             | 18 052  | 6 382                  | 3 892                  |
| Cash/cash equivalents at the year end:           | 29 539          | 43 105          | 57 273          | 38 691               | 18 052          | 18 052             | 10 382  | 3 892                  | 13 723                 |

- The above table shows that cash and cash equivalents of the Municipality has a positive cash flow movement from 2012/13 to 2018/19 by 29 million to 13.7 million. With the 2015/16 adjustments budget various cost efficiencies and savings had to be realized to ensure the Municipality could meet its operational expenditure commitments.
- In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality. For the 2016/17 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed 13.7 Million by 2016/17.

#### **2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation**

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be "funded. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 35: cash backed reserve/ accumulated surplus reconciliation**

| Description                                | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand                                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <u>Cash and investments available</u>      |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end      | 1   | 29 539          | 43 105          | 57 273          | 38 691               | 18 052          | 18 052             | –                 | 10 382  | 7 892                  | 17 723                 |
| Other current investments > 90 days        |     | (0)             | (0)             | 0               | 6 869                | 27 508          | 27 508             | –                 | 52 000  | 55 000                 | 61 000                 |
| Non current assets - Investments           | 1   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Cash and investments available:            |     | 29 539          | 43 105          | 57 273          | 45 560               | 45 560          | 45 560             | –                 | 62 382  | 62 892                 | 78 723                 |
| <u>Application of cash and investments</u> |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Unspent conditional transfers              |     | 3 742           | 9 227           | 5 036           | –                    | –               | –                  | –                 | 3 500   | 1 200                  | 1 000                  |
| Unspent borrowing                          |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Statutory requirements                     | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Other working capital requirements         | 3   | (4 482)         | (12 731)        | (165)           | (38 855)             | (22 671)        | (22 671)           | –                 | (5 305)   | (7 842)                | (5 318)                |
| Other provisions                           |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Long term investments committed            | 4   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Reserves to be backed by cash/investments  | 5   |                 |                 |                 |                      |                 |                    |                   | 6 959   | 7 391                  | 7 400                  |
| Total Application of cash and investments: |     | (740)           | (3 504)         | 4 871           | (38 855)             | (22 671)        | (22 671)           | –                 | 5 155   | 749                    | 3 082                  |
| Surplus(shortfall)                         |     | 30 279          | 46 609          | 52 402          | 84 415               | 68 231          | 68 231             | –                 | 57 227  | 62 143                 | 75 641                 |

From the above table it can be seen that the cash and investments available total R55.5 million for 2016/17 financial year and increase to R83.1 million by 2018/19, including the projected cash and cash equivalents as determined in the cash flow forecast.

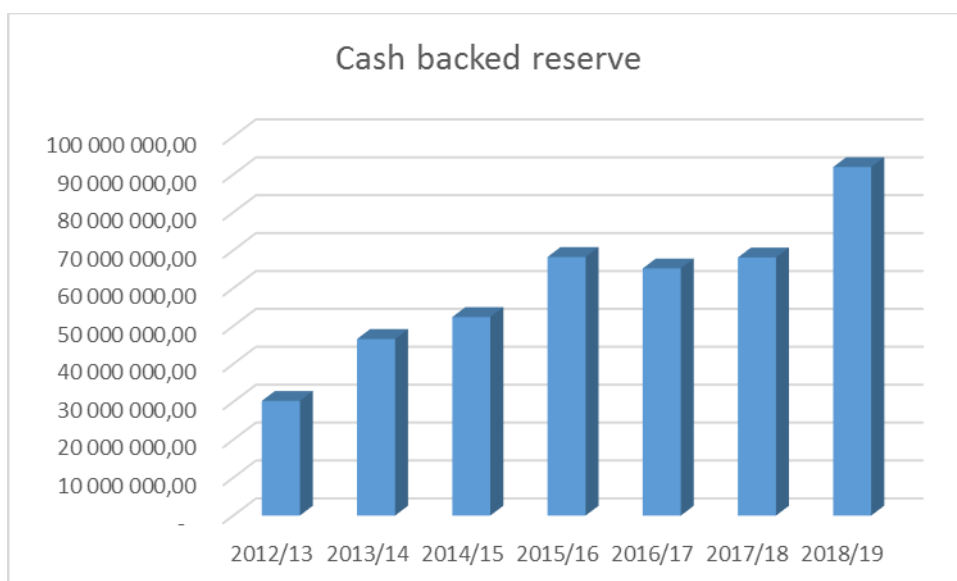
Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital,
- For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective



## 2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 36: Funding compliance measurement**

| Description   | MFMA section | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|--------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |              |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Funding measures</b>                                       | -            | -   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| cash/cash equivalents at the year end - R'000                 | 18(1)b       | 1   | 29 539          | 43 105          | 57 273          | 38 691               | 18 052          | 18 052             | -                 | 10 382  | 7 892                  | 17 723                 |
| Cash + investments at the yr end less applications - R'000    | 18(1)b       | 2   | 30 279          | 46 609          | 52 402          | 84 415               | 68 231          | 68 231             | -                 | 57 227  | 62 143                 | 75 641                 |
| Cash year end/monthly employee/supplier payments              | 18(1)b       | 3   | 6,1             | 9,1             | 7,1             | 5,6                  | 2,5             | 2,5                | -                 | 1,4   | 1,0                    | 2,1                    |
| Surplus/(Deficit) excluding depreciation offsets: R'000       | 18(1)        | 4   | 654             | 10 195          | 11 822          | 29 978               | 39 065          | 39 065             | -                 | 43 933  | 20 964                 | 21 063                 |
| Service charge rev % change - macro CPIX target exclusive     | 18(1)a,(2)   | 5   | N.A.            | 3,4%            | 108,7%          | (41,2%)              | 44,1%           | (6,0%)             | (106,0%)          | 2,3%  | 0,2%                   | (0,1%)                 |
| Cash receipts % of Ratepayer & Other revenue                  | 18(1)a,(2)   | 6   | 80,8%           | 67,5%           | 72,9%           | 125,3%               | 84,4%           | 84,4%              | 0,0%              | 91,8%   | 94,1%                  | 91,8%                  |
| Debt impairment expense as a % of total billable revenue      | 18(1)a,(2)   | 7   | 21,9%           | 18,7%           | 95,3%           | 17,5%                | 11,7%           | 11,7%              | 0,0%              | 13,3%   | 13,3%                  | 13,3%                  |
| Capital payments % of capital expenditure                     | 18(1)c,19    | 8   | 87,8%           | 99,4%           | 100,1%          | 87,1%                | 98,0%           | 98,0%              | 0,0%              | 84,3%   | 100,0%                 | 100,0%                 |
| Borrowing receipts % of capital expenditure (excl. transfers) | 18(1)c       | 9   | 0,0%            | (4,1%)          | (3,4%)          | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| Grants % of Govt. legislated/gazetted allocations             | 18(1)a       | 10  |                 |                 |                 |                      |                 |                    |                   | 115,0%  | 100,0%                 | 88,7%                  |
| Current consumer debtors % change - incr(decr)                | 18(1)a       | 11  | N.A.            | 28,5%           | (51,6%)         | 241,8%               | 0,0%            | 0,0%               | (100,0%)          | (59,5%)   | (14,3%)                | (29,5%)                |
| Long term receivables % change - incr(decr)                   | 18(1)a       | 12  | N.A.            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| R&M % of Property Plant & Equipment                           | 20(1)(vi)    | 13  | 0,4%            | 0,5%            | 0,6%            | 0,7%                 | 0,6%            | 0,6%               | 0,0%              | 0,7%  | 0,7%                   | 0,7%                   |
| Asset renewal % of capital budget                             | 20(1)(vi)    | 14  | 14,2%           | 7,3%            | 4,5%            | 5,4%                 | 10,1%           | 10,1%              | 0,0%              | 7,6%  | 5,0%                   | 4,1%                   |

#### *2.6.5.1 Cash/cash equivalent position*

- The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.
- If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2016/17 MTREF shows R6.3 million, R3,8 million and R13.7 million for each respective financial year.

#### *2.6.5.2 Cash plus investments less application of funds*

- The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 35; the reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.6.5.3 Monthly average payments covered by cash or cash equivalents*

- The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been increasing significantly for the period 2015/16 to 2018/19, moving from 0.9 to 1.7 as indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards nine months coverage. This measure will have to be carefully monitored going forward.

#### *2.6.5.4 Surplus/deficit excluding depreciation offsets*

- The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An adjusted surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2016/17 MTREF the indicative outcome is a surplus of R43.4 million and R23 million and R24 million for the two outer years.



- Which is affected by non-cash items .

#### *2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

- The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in revenue, which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.
- The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 2.3 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage degrees to 0.1 for the two respective years

#### *2.6.5.6 Cash receipts as a percentage of ratepayers and other revenue*

- This factor is a macro measure of the rate at which funds are collected. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 91.8 percent , In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

#### *2.6.5.7 Debt impairment expense as a percentage of billable revenue*

- This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 3, 3 and 3 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is not well within the accepted leading practice.

#### *2.6.5.8 Capital payments percentage of capital expenditure*

- The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

- The purpose of this measurement is to determine the proportion of a municipality's „own-funded capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 per cent of own funded capital. The municipality does not borrow money from external stakeholders

#### *2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

- The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### *2.6.5.11 Consumer debtors change (Current and Non-current)*

- The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 day

#### *2.6.5.12 Repairs and maintenance expenditure level*

- This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in MBRR SA34C

#### *2.6.5.13 Asset renewal/rehabilitation expenditure level*

- This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level
- of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for „repairs and maintenance budgets.

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## 2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

**Table 37- MBRR Table SA19 Expenditure on transfers and grant programme**

| Description  | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>EXPENDITURE:</b>                                  |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <u>Operating expenditure of Transfers and Grants</u> |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:                                 | 64 159          | 68 042          | 77 054          | 104 045              | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| Local Government Equitable Share                     | 53 513          | 60 742          | 71 904          | 92 441               | 92 441          | 92 441             | 91 329  | 97 904                 | 103 437                |
| Finance Management                                   | 1 585           | 1 671           | 1 800           | 1 800                | 1 800           | 1 800              | 1 825   | 1 900                  | 1 900                  |
| Municipal Systems Improvement                        | 1 071           | 664             | 934             | 930                  | 930             | 930                |   |                        |                        |
| Integrated National Electrification Programme        | 1 895           | 3 105           |                 | 7 000                | 7 000           | 7 000              |   |                        |                        |
| EPWP Incentive                                       | 1 366           | 1 323           | 1 316           | 1 038                | 1 038           | 1 038              | 1 000   |                        |                        |
|  |                 |                 |                 |                      | -               | -                  |   |                        |                        |
| Other transfers/grants [insert description]          | 4 728           | 536             | 1 100           | 836                  | 1 391           | 1 391              |   |                        |                        |
| District Municipality:                               | 83              | 21              | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>mopani</i>  | 83              | 21              |                 |                      |                 |                    |   |                        |                        |
| Total operating expenditure of Transfers and Grants: | 64 242          | 68 062          | 77 054          | 104 045              | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| <u>Capital expenditure of Transfers and Grants</u>   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:                                 | 27 421          | 27 869          | 25 309          | 25 830               | 30 311          | 30 311             | 29 419  | 27 377                 | 28 763                 |
| Municipal Infrastructure Grant (MIG)                 | 27 421          | 27 869          | 25 309          | 25 830               | 30 311          | 30 311             | 29 419  | 27 377                 | 28 763                 |
| Total capital expenditure of Transfers and Grants    | 27 421          | 27 869          | 25 309          | 25 830               | 30 311          | 30 311             | 29 419  | 27 377                 | 28 763                 |
| <b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>     | <b>91 662</b>   | <b>95 932</b>   | <b>102 363</b>  | <b>129 875</b>       | <b>134 911</b>  | <b>134 911</b>     | <b>123 573</b>                                      | <b>127 181</b>         | <b>134 100</b>         |

**Table 38- MBRR SA20 - Reconciliation of transfers, grant receipts and unspent funds**

| Description<br><br>R thousand                                      | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b><u>Operating transfers and grants:</u></b>                      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:<br>Balance unspent at beginning of the year   | 1 067           | 3 721           |                 |                      | 555             | 555                |   |                        |                        |
| Current year receipts  | 63 071          | 64 320          | 76 724          | 95 171               | 104 045         | 104 045            | 94 154  | 99 804                 | 105 337                |
| Conditions met - transferred to revenue                            | 64 138          | 68 042          | 76 724          | 95 171               | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| District Municipality:<br>Balance unspent at beginning of the year | 104             | 21              |                 |                      |                 |                    |   |                        |                        |
| Current year receipts  |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Conditions met - transferred to revenue                            | 104             | 21              | -               | -                    | -               | -                  | -   | -                      | -                      |
| Total operating transfers and grants revenue                       | 64 242          | 68 062          | 76 724          | 95 171               | 104 600         | 104 600            | 94 154  | 99 804                 | 105 337                |
| Total operating transfers and grants - CTBM                        | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b><u>Capital transfers and grants:</u></b>                        |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:<br>Balance unspent at beginning of the year   | (3 060)         | (307)           |                 |                      | 4 481           | 4 481              |   |                        |                        |
| Current year receipts  | 30 945          | 16 725          | 34 830          | 64 862               | 34 330          | 34 330             | 47 918  | 27 377                 | 28 763                 |
| Conditions met - transferred to revenue                            | 27 885          | 16 418          | 34 830          | 64 862               | 38 811          | 38 811             | 47 918  | 27 377                 | 28 763                 |
| Total capital transfers and grants revenue                         | 27 885          | 16 418          | 34 830          | 64 862               | 38 811          | 38 811             | 47 918  | 27 377                 | 28 763                 |
| TOTAL TRANSFERS AND GRANTS REVENUE                                 | 92 127          | 84 481          | 111 554         | 160 033              | 143 411         | 143 411            | 142 072   | 127 181                | 134 100                |
| TOTAL TRANSFERS AND GRANTS - CTBM                                  | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |

## 2.8. COUNCILLOR AND EMPLOYEE BENEFITS

**Table 39- MBRR SA22 - Summary councilor and staff benefit**

| Summary of Employee and Councillor remuneration                 | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
|   | A               | B               | C               | D                    | E               | F                  | G   | H                      | I                      |
| <b><u>Councillors (Political Office Bearers plus Other)</u></b> |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Basic Salaries and Wages  | 4 530           | 4 551           | 4 270           | 6 562                | 5 800           | 5 800              | 5 885   | 6 148                  | 6 517                  |
| Pension and UIF Contributions                                   | 797             | 814             | 894             | 1 672                | 1 025           | 1 025              | 1 002   | 1 086                  | 1 152                  |
| Medical Aid Contributions                                       | 29              | 53              | 79              | 79                   | 120             | 120                | 130   | 127                    | 135                    |
| Motor Vehicle Allowance   | 1 632           | 1 714           | 1 915           | 1 916                | 1 977           | 1 977              | 2 127   | 2 096                  | 2 222                  |
| Cellphone Allowance   | 372             | 533             | 597             | 586                  | 550             | 550                | 608   | 583                    | 618                    |
| Housing Allowances  |                 |                 |                 |                      | –               | –                  |   |                        |                        |
| Other benefits and allowances                                   |                 |                 | 50              | 51                   | 70              | 70                 | 81  | 74                     | 79                     |
| <b>Sub Total - Councillors</b>                                  | <b>7 359</b>    | <b>7 665</b>    | <b>7 805</b>    | <b>10 866</b>        | <b>9 542</b>    | <b>9 542</b>       | <b>9 832</b>  | <b>10 115</b>          | <b>10 722</b>          |
| <b>% increase</b>   |                 | <b>4,2%</b>     | <b>1,8%</b>     | <b>39,2%</b>         | <b>(12,2%)</b>  | <b>–</b>           | <b>3,0%</b>   | <b>2,9%</b>            | <b>6,0%</b>            |
| <b><u>Senior Managers of the Municipality</u></b>               |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Basic Salaries and Wages  | 1 970           | 1 792           | 2 770           | 3 046                | 3 046           | 3 046              | 3 675   | 3 895                  | 4 129                  |
| Pension and UIF Contributions                                   | 555             | 489             | 578             | 1 307                | 1 307           | 1 307              | 1 021   | 1 082                  | 1 147                  |
| Medical Aid Contributions                                       | 46              | 110             | 123             | 154                  | 154             | 154                | 163   | 173                    | 183                    |
| Performance Bonus   | 179             | 276             | 84              | 893                  | 893             | 893                | 995   | 1 055                  | 1 118                  |
| Motor Vehicle Allowance   | 810             | 790             | 1 012           | 1 326                | 1 326           | 1 326              | 1 599   | 1 695                  | 1 797                  |
| Cellphone Allowance   | 48              | 43              | 68              | 75                   | 75              | 75                 | 69  | 73                     | 77                     |
| Other benefits and allowances                                   | 39              | 26              | 38              | 60                   | 60              | 60                 | 37  | 40                     | 42                     |
| Payments in lieu of leave                                       | 445             |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Sub Total - Senior Managers of Municipality</b>              | <b>4 093</b>    | <b>3 527</b>    | <b>4 675</b>    | <b>6 862</b>         | <b>6 862</b>    | <b>6 862</b>       | <b>7 559</b>  | <b>8 013</b>           | <b>8 493</b>           |
| <b>% increase</b>   |                 | <b>(13,8%)</b>  | <b>32,6%</b>    | <b>46,8%</b>         | <b>–</b>        | <b>–</b>           | <b>10,2%</b>  | <b>6,0%</b>            | <b>6,0%</b>            |
| <b><u>Other Municipal Staff</u></b>                             |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Basic Salaries and Wages  | 18 668          | 19 244          | 22 095          | 26 846               | 26 961          | 26 961             | 27 619  | 29 652                 | 31 733                 |
| Pension and UIF Contributions                                   | 3 783           | 4 156           | 5 446           | 4 836                | 5 204           | 5 204              | 5 415   | 5 817                  | 6 228                  |
| Medical Aid Contributions                                       | 1 028           | 141             | 1 597           | 1 328                | 1 540           | 1 540              | 1 838   | 1 972                  | 2 109                  |
| Overtime  | 781             | 437             | 570             | 880                  | 2 009           | 2 009              | 2 283   | 2 447                  | 2 616                  |
| Performance Bonus   | 1 485           | 1 631           | 1 945           | 2 210                | 2 468           | 2 468              | 1 959   | 2 112                  | 2 268                  |
| Motor Vehicle Allowance   | 294             | 315             | 1 160           | 2 780                | 2 542           | 2 542              | 2 511   | 2 711                  | 2 913                  |
| Cellphone Allowance   | 425             | 806             | 383             | 450                  | 450             | 450                | 487   | 522                    | 559                    |
| Housing Allowances  | 57              | 63              | 67              | 68                   | 149             | 149                | 184   | 197                    | 211                    |
| Other benefits and allowances                                   |                 |                 | 640             | 867                  | 418             | 418                | 486   | 521                    | 557                    |

|                                     |        |        |        |        |        |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Payments in lieu of leave           | 214    | 331    | 300    | 255    | 300    | 300    | 56     | 60     | 64     |
| Long service awards                 | 957    | 53     | 21     | 99     | 117    | 117    | 94     | 276    | 295    |
| Post-retirement benefit obligations | 1 758  |        |        |        | –      | –      |        |        |        |
| Sub Total - Other Municipal Staff   | 29 451 | 27 178 | 34 224 | 40 618 | 42 158 | 42 158 | 42 930 | 46 287 | 49 553 |
| % increase                          |        | (7,7%) | 25,9%  | 18,7%  | 3,8%   | –      | 1,8%   | 7,8%   | 7,1%   |
| Total Parent Municipality           | 40 902 | 38 369 | 46 704 | 58 346 | 58 562 | 58 562 | 60 321 | 64 415 | 68 768 |
| TOTAL SALARY, ALLOWANCES & BENEFITS | 40 902 | 38 369 | 46 704 | 58 346 | 58 562 | 58 562 | 60 321 | 64 415 | 68 768 |
| % increase                          |        | (6,2%) | 21,7%  | 24,9%  | 0,4%   | –      | 3,0%   | 6,8%   | 6,8%   |
| TOTAL MANAGERS AND STAFF            | 33 544 | 30 705 | 38 899 | 47 479 | 49 019 | 49 019 | 50 489 | 54 300 | 58 046 |

**Table 40 MBRR SA23 - Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

| Disclosure of Salaries, Allowances & Benefits 1.              | Salary    | Contributions 1. | Allowances | Performance Bonuses | In-kind benefits | Total Package 2. |
|---|-----------|------------------|------------|---------------------|------------------|------------------|
| Rand per annum  |           |                  |            |                     |                  |                  |
| <u>Councillors</u>  |           |                  |            |                     |                  |                  |
| Speaker   | 411 715   | 183 681          | 79 114     |                     |                  | 674 509          |
| Chief Whip  | 385 983   | 173 590          | 74 169     |                     |                  | 633 742          |
| Executive Mayor   | 438 874   | 224 045          | 174 661    |                     |                  | 837 580          |
| Deputy Executive Mayor  |           |                  |            |                     |                  | –                |
| Executive Committee   | 1 542 850 | 550 282          | 148 395    |                     |                  | 2 241 528        |
| Total for all other councillors                               | 3 105 387 | 1 683 065        | 656 080    |                     |                  | 5 444 531        |
| Total Councillors   | 5 884 809 | 2 814 663        | 1 132 419  |                     |                  | 9 831 891        |
| <u>Senior Managers of the Municipality</u>                    |           |                  |            |                     |                  |                  |
| Municipal Manager (MM)  | 746 843   | 296 700          | 320 319    | 185 337             |                  | 1 549 199        |
| Chief Finance Officer   | 869 604   | 17 485           | 177 821    | 145 113             |                  | 1 210 024        |
| Corporate Director  | 436 186   | 194 925          | 411 642    | 144 751             |                  | 1 187 505        |
| SPED Director   | 454 049   | 268 062          | 331 901    | 144 751             |                  | 1 198 763        |
| Technical Directors   | 683 916   | 244 987          | 139 301    | 146 094             |                  | 1 214 299        |
| Community service Director                                    | 484 111   | 283 541          | 286 961    | 144 751             |                  | 1 199 364        |
| Total Senior Managers of the Municipality                     | 3 674 710 | 1 305 700        | 1 667 946  | 910 798             |                  | 7 559 154        |
| TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION | 9 559 519 | 4 120 364        | 2 800 364  | 910 798             |                  | 17 391 045       |

**Table 41-MBRR - SA24 Summary of personnel numbers**

| Summary of Personnel Numbers<br>Number                       | 2014/15    |                     |                    | Current Year 2015/16 |                     |                    | Budget Year 2016/17 |                     |                    |
|--|------------|---------------------|--------------------|----------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
|  | Positions  | Permanent employees | Contract employees | Positions            | Permanent employees | Contract employees | Positions           | Permanent employees | Contract employees |
| Municipal Council and Boards of Municipal Entities           |            |                     |                    |                      |                     |                    |                     |                     |                    |
| Municipal employees<br>Municipal Manager and Senior Managers | 6          | –                   | 6                  | 6                    | –                   | 6                  | 6                   | –                   | 6                  |
| Other Managers   | 2          | 2                   | –                  | 19                   | 19                  | –                  | 3                   | 3                   | –                  |
| Professionals  | 192        | 181                 | 11                 | 168                  | 157                 | 11                 | 185                 | 174                 | 11                 |
| Finance  | 22         | 19                  | 3                  | 18                   | 15                  | 3                  | 23                  | 20                  | 3                  |
| Spatial/town planning  | 13         | 12                  | 1                  | 9                    | 8                   | 1                  | 11                  | 10                  | 1                  |
| Information Technology                                       | 3          | 2                   | 1                  | 3                    | 2                   | 1                  | 3                   | 2                   | 1                  |
| Roads  | 10         | 10                  | –                  | 10                   | 10                  | –                  | 10                  | 10                  | –                  |
| Electricity  | 2          | 2                   | –                  | 3                    | 3                   | –                  | 3                   | 3                   | –                  |
| Water  | 17         | 17                  | –                  | 17                   | 17                  | –                  | 17                  | 17                  | –                  |
| Sanitation   | –          | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Refuse   | 8          | 8                   | –                  | 8                    | 8                   | –                  | 8                   | 8                   | –                  |
| Other  | 117        | 111                 | 6                  | 100                  | 94                  | 6                  | 110                 | 104                 | 6                  |
| <b>TOTAL PERSONNEL NUMBERS</b>                               | <b>200</b> | <b>183</b>          | <b>17</b>          | <b>193</b>           | <b>176</b>          | <b>17</b>          | <b>194</b>          | <b>177</b>          | <b>17</b>          |
| % increase   |            |                     |                    | (3,5%)               | (3,8%)              | –                  | 0,5%                | 0,6%                | –                  |

## 2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

See attached copy of the Annual Budget for the following tables

- TABLE 42:MBRR SA25 - Budgeted monthly revenue and expenditure – see attached copy of the Annual Budget
- TABLE 43: MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- TABLE 44: MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)
- TABLE 45:MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)
- TABLE 46: MBRR SA29 - Budgeted monthly capital expenditure (standard classification)
- TABLE 47: MBRR SA30 - Budgeted monthly cash flow

## **2.10 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS**

### **2.10.1 Water Services Department**

**Maruleng Municipality is not a water service authority**

### **2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

### **2.12 CAPITAL EXPENDITURE DETAILS**

See attached copy of the Annual Budget for the following tables

- TABLE 48:MBRR SA 34a – Capital expenditure on new assets by assets class
- TABLE 49:MBRR SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE 50:MBRR SA 34c – Repairs and maintenance expenditure by assets class
- TABLE 51: MBRR SA34d- Depreciation by assets classification
- TABLE 52:MBRR SA 35 – Future financial implications of the capital budget
- TABLE 53 :MBRR SA 36 – Detailed capital budget per municipal vote
- TABLE 54: MBRR SA 37– Projects delayed from previous financial year

### **2.13 LEGISLATION COMPLIANCE STATUS**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **1. in year reporting**

- Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

#### **2. Internship programme**

- The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns undergoing training in various divisions of the Financial Services Department.

#### **3. Budget and Treasury Office**

- The Budget and Treasury Office has been established in accordance with the MFMA.



4. Audit Committee

- A district shared Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

- The detail SDBIP document is at a draft stage and will be finalized after approval of the 2016/17 MTREF in April 2016 directly aligned and informed by the 2016/17 MTREF.

6. Annual Report

- Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

- The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies

- An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

## **2.14 OTHER SUPPORTING DOCUMENTS**

See attached copy of the Annual Budget for the following supporting tables

- TABLE 55: MBRR SA 1 – Supporting detail to budgeted financial performance
- TABLE 56: MBRR SA 2 – Matrix financial Performance budget ( revenue source/expenditure type and department)
- TABLE 57: MBRR SA 3 – Supporting detail to statement of financial position
- TABLE 58: MBRR SA 9 – Social, economic and demographic statistics and assumptions
- TABLE 59: MBRR SA 32 – List of external mechanisms

## **Municipal manager's quality certificate**

I ....., municipal manager of Maruleng Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_  
Municipal manager Maruleng Municipality

Signature \_\_\_\_\_

Date \_\_\_\_\_

